

Mood of the boardroom



2018 CHIEF EXECUTIVES' SURVEY

THE CONFIDENCE CONUNDRUM

150 CEOs share their views

INSIDE



FRAN O'SULLIVAN



THOMAS PIPPOS



LIAM DANN



TIM McCREADY



MOOD OF THE BOARDROOM

Mood of the Boardroom 2018

Executive Editor: Fran O'Sullivan
Writers: Bill Bennett, Liam Dann, Tim McCready, Andrew Grant, Gabrielle Penn, James Penn, Thomas Pippas, Graham Skellern and Patrick Smellie
Subeditor: Isobel Marriner
Cover: Richard Dale
Graphics: Isobel Marriner
Production: Gabrielle Penn, Natalia Rimell
Advertising: Neil Cording, Christine Moxham
Survey Co-ordination: Natalia Rimell
Event Stage Management: Rebecca Widdison, Marissa Vincent

The *Herald's* Mood of the Boardroom 2018 Survey attracted participation from 154 respondents. This year there were some 150 chief executives including CEOs of some of NZ's biggest companies, some publicly owned institutions, and, the heads of several influential business organisations and several directors.

The *Herald* survey is conducted in association with BusinessNZ. BusinessNZ put 15 questions from the survey to its membership attracting a further 407 responses. The survey is now in its 17th year having been launched in December 2002 within a *Herald* State of the Nation report.

Watch the debate

Finance Minister Grant Robertson and National's Finance Spokesperson Amy Adams will debate the survey results at a breakfast at the Cordis Hotel in Auckland this morning. The debate will be chaired by *Herald* Editor Murray Kirkness.

nzherald.co.nz will feature video from the debate and interviews with leading CEOs attending the breakfast.

What's inside



The master of surprise, E7



Trumpian approach decried, E9



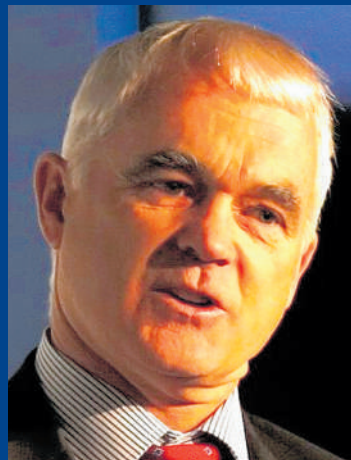
A Wellbeing Budget, E10



PM on the world stage, E14



Andrew Grant: The Future of Work, E16



Simon Moutter's 5G plan, E19



Christopher Luxon and the BAC, E20



SME sentiment, Gabrielle Penn, E26-27

**Growing
prosperity
and potential**

BusinessNZ

MOOD OF THE BOARDROOM

Honeymoon just about over

The Coalition has won some praise, but there is a feeling the Government is underdone, writes **Tim McCready**

One year into the Coalition Government and the pressure is on the political leaders to publicly paper over the cracks and present a united face to bolster economic confidence.

In the 2018 *Herald* Mood of the Boardroom survey – taken in association with BusinessNZ – some 150 chief executives have delivered their verdict on the Jacinda Ardern-led Coalition Government.

The Coalition has worked to expectations according to 59 per cent of survey respondents; 15 per cent feel it is working even better than expected.

Just 23 per cent say worse. Forging a Coalition Government between Labour and New Zealand First with support from the Greens was always going to be a challenge.

“Unlike previous coalitions, its structure is more complex,” explains a professional services chairman.

Several respondents throughout the survey have suggested they expected the influence of NZ First and Winston Peters would be problematic.

But others point to NZ First as a potentially moderating influence when it comes to acknowledging the harmful impact on business confidence from union-led employment law reforms.

Chen Palmer managing partner Mai Chen points out the Coalition Government is leading innovations like the Wellbeing Budget and climate change initiatives which will change the focus of the country for the better.

“In general, the pace of change is more measured as is the amount of spend than past Labour-led governments,” Chen says.

“I didn’t have great expectations, so although they aren’t doing a good job, actually they are doing better than I thought they would,” says GlaxoSmithKline NZ general manager Anna Stove.

In their survey responses, CEOs point to several major areas where the Coalition is lacking – particularly a lack of experience, an unclear agenda, and too many reviews.

A lack of experience

Chief executives recognise a new government brings with it speed bumps. But says a banking boss, “I’m surprised at how little depth and capability there is.”

Just five Government Ministers have previously served in Cabinet, and recent missteps – including the Clare Curran and Meka Whaitiri sagas, and open disagreement on policy issues – have dealt a blow to the business community’s confidence in the Coalition.

“There is not enough experience in the Cabinet. While they have great ideas, there are some very basic mistakes happening which don’t give much confidence at this stage,” says a consulting firm head.

The Organic Initiative’s Helen Robinson claims the Coalition is being run by government agencies due to inexperienced politicians.

“This was our fear, and continues to be of huge concern for the New Zealand economy and our future economic stability and ability to perform on the world stage,” she says.

A healthcare boss said his hopes were not high to begin with: “Unfortunately this is one thing they have delivered on.”

“We need them to provide certainty on various aspects and engage properly with the business community.”

Too many reviews

“Too many committees – not enough action” was the message from CEOs, over the Coalition’s rising number of working groups.



Winston Peters, Jacinda Ardern and James Shaw outline the next steps for the Coalition.

Photo / Greg Bowker

The country’s top bosses say that taking time to firm up policies is a by-product of any new government, but speedy policy decisions on critical areas such as tax are needed in order to build credibility and confidence in the Coalition.

“We are waiting for outcomes from working groups set up to review numerous policy initiatives,” says a legal chief.

An unclear agenda

“The Coalition Agreement is clear around a range of outputs,” says NZ Local Government Funding Agency chair Craig Stobo. “What is uncertain is everything else that arises outside that agreement!”

To remedy that perception the Prime Minister – flanked by both NZ First leader Winston Peters and Greens Co-leader James Shaw – recently unveiled a Coalition Blueprint in front of a handpicked audience including leading CEOs.

A law firm boss gives the Coalition credit for articulating a longer-term vision: “this helps frame a discussion about how we get there.”

But making decisions without adequate consultation – such as the ban on offshore oil and gas exploration – had unsettled business, and created uncertainty in a way that was not anticipated by business leaders in the early days of the Government.

There is also concern the Coalition has too many initiatives and “feel good positions” – rather than tangible, clear positions.

“This Government came into office with hugely ambitious goals, particularly in the social space.

Standout performer

Prime Minister Jacinda Ardern is seen by many CEOs as the standout performer in the Coalition Government.

Just one year into the country’s top job, her charismatic persona, youthfulness and communication skills have marked her prime ministership.

CEOs in the 2018 *Herald* survey marked trustworthiness as her leading attribute – rated at 3.17/5 on a scale where 1=not impressive and 5=very impressive – among a range of other attributes.

A banking boss says Ardern has been a far better Prime Minister than expected. “Labour inherited a country that had been neglected for nine years. She is an amazing communicator and front person for the Government.”

But there have been incidents lately that have knocked her political capital, which some respondents to the Mood of the Boardroom survey say she should be cognisant of.

Though Ardern is given credit for making the best of the cards she was dealt on election night, her Coalition management skills have been found wanting. Business leaders say she must do better when it comes to managing the relationship of the Coalition partners and ministers, and make the “hard calls” when necessary and rated that attribute 2.74/5.

“The perceptions of the public around the impact of the smaller coalition partners – Winston Peters



It would be good to see a stronger decisive approach to the ‘bigger’ issues – infrastructure, health, housing, education – than jumping on the bandwagon of populist policy.

Don Braid, Mainfreight

Rate Jacinda Ardern on the following attributes on a 1-5 basis, where 1=not impressive and 5=very impressive.

- 3.17** Trustworthiness
- 3.09** Political performance
- 2.95** Pragmatism
- 2.74** Coalition management
- 2.16** Strategy for NZ

Ardern’s natural ability to communicate was frequently raised by chief executives, but they have concerns her aspirational messages can raise expectations without necessarily transferring into operational performance.

Of the attributes CEOs were asked to rate, Ardern’s strategy for New Zealand received the lowest rating of 2.16/5.

Respondents say she must not lose sight of the fundamental connection between maintaining a vibrant economy and maintaining the social dividend. Some are worried there is too much focus on PR, rather than productivity.

“It would be good to see a stronger decisive approach to the ‘bigger’ issues – infrastructure, health, housing, education – than jumping on the bandwagon of populist policy,” says Mainfreight CEO Don Braid.

Says another CEO: “The smile got her into government, but she is deeply inexperienced and is taking New Zealand down a dangerous path. Sloganism is a terrible way to run a nation.”

But a company director says we need to give the Prime Minister room to breathe: “I think you have to admire her, whatever your political perspective. Being Prime Minister, being female, being young, means she will be under attack more than others would be. You have to say she is doing a good job in a difficult coalition environment.”

in particular – are critical,” warns a logistics boss.

ICBC NZ chair Don Brash says Ardern has a very tough job “being in a position where NZ First holds the whip hand on every issue not specifically covered in the coalition agreement.”

“A heart of gold and a refreshing change for New Zealand. But she is not well supported by senior ministers and unless something changes it is hard to see how she can deliver on promises.”

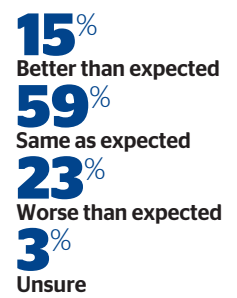
Consulting Firm Boss



I’ve been impressed with Minister Shaw. He’s reached out to the business community and our customers, and is right across his topics.

Banking Boss

How do you think the Coalition Government has been working?



“However, they have allowed expectations to develop on how quickly they can deliver, which is creating pressure and leading to a number of fumbles,” says a residential construction CEO.

Infrastructure New Zealand’s CEO Stephen Selwood says it’s hard to see much progress on closing the poverty gap, and suggests the Government should reach out to business.

“Why not a true partnership with business to address these issues, rather than an unnecessary squabble over labour laws?,” he says.

Greens co-leader James Shaw was singled out as a standout leader in the Coalition, for his effort to build a constituency in what the Government aims to achieve.

“I’ve been impressed with Minister Shaw,” says a banking boss.

“He’s reached out to the business community and our customers, and is right across his topics.”

“He’s managed to build a broad consensus on climate change and that may well be this Government’s legacy.”

Air New Zealand’s Christopher Luxon agrees.

“I think James has done a really excellent job.”

“He’s focused, and he knows what he’s there to do and he’s got the role and he knows this is as good as it gets and he’s not going to waste his shot or his opportunity.”

MOOD OF THE BOARDROOM

The big questions

Are you expecting to increase or decrease your number of staff in the next twelve months?

Increase: 39%. Decrease: 21%.

Are you expecting profit growth in your business in the next twelve months?

Yes (increased profit): 58%.

Are you expecting revenue growth in your business in the next twelve months?

Yes (increased revenue): 68%.

In the following year, do you expect to authorise more or less capital expenditure compared to last year?

More: 48%. Less: 18%.

In the following year, do you expect to authorise more or less IT expenditure compared to last year?

More: 59%. Less: 11%.

Are you more or less optimistic than you were one year ago (scale where 1 = much less optimistic and 5 = much more optimistic) about:

The general business situation in your industry: 2.65

The New Zealand economy: 2.20

The global economy: 2.20

How concerned are you about the impact of the following domestic factors on business confidence for your OWN business (scale where 1 = no concern and 10 = extremely concerned)?

Top five factors:

1. General uncertainty about the impact and direction of current Government policies: 6.99
2. Skills and labour shortages: 6.79
3. Regulation: 6.66
4. Employment law changes: 6.54
5. Transport infrastructure: 6.32

How concerned are you about the impact of the following domestic factors on business confidence for the GENERAL business community (scale where 1 = no concern and 10 = extremely concerned)?

Top 10 factors:

1. Adequacy of transport infrastructure: 7.28
 2. Employment law changes: 7.23
 3. General uncertainty about the impact and direction of current Government policies: 7.13
 4. Skills and labour shortages: 7.11
 5. Congestion in Auckland: 7.03
 6. Quality of Government spending: 6.71
 7. Regulation: 6.46
 8. Fuel price increases: 6.29
 9. Labour productivity: 6.15
 10. Housing shortage: 6.07
- Others: wage increases (5.84), Access to foreign direct investment (5.47), Implications of banning future offshore mining/drilling (5.41), Water infrastructure (5.33); Level NZ dollar (4.72), Electricity pricing (4.7), corporate tax rate (4.52), access to capital (4.14), inflation increase (4.09), Government debt (4.01), net migration increases (3.93).

What impact do you believe the following international issues have on business confidence in New Zealand today (scale where 1 = no concern and 10 = extremely concerned).

Top 10 factors:

1. Cyber security breaches: 7.14
 2. Trade war between the US and China: 7.09
 3. Protectionism: 6.78
 4. "Trump factor" - US political instability: 6.57
 5. Uncertain Chinese economy: 6.39
 6. US Tariff hikes: 6.18
 7. Competition - global talent: 6.07
 8. Commodity prices: 5.67
 9. Currency volatility: 5.60
 10. Brexit uncertainty: 5.34
- Others: Supply chain security (5.29), Australian political instability (4.82), Global inflation (4.68), Terrorism (4.55), Potential for nuclear war (3.37).

THE CONFIDENCE

Is the lack of business confidence real, or a political construct? **James Penn** reports

The conundrum at the heart of the Kiwi economy right now is this: despite the highest level of quarterly growth seen in the past two years, business confidence continues to sink.

In this year's Mood of the Boardroom survey, executives' optimism about the New Zealand economy compared to a year ago, as measured on a scale of 1 (meaning "much less optimistic") to 5 ("much more optimistic") fell to 2.2. That compared with an average of 3.07 last year.

When it comes to the business situation relating to their own industry, executives are also pessimistic, relatively speaking: an average rating of 2.65 this year versus 3.41 in 2017.

Though those figures may be out of step with the economic growth figures, the conundrum – and its importance – grows, considering the potential to spread to consumer confidence, and therefore underlying economic activity.

For business, the chief concern is uncertainty. Asked to rate their level of concern regarding various domestic factors and their impact on their own industry, "general uncertainty about the impact and direction of current Government policies" came out top.

The rest of the top five ranking factors arguably all cement uncertainty too: skills and labour shortages, regulation, employment law changes, and transport infrastructure.

Craig Stobo, chairman of the Local Government Funding Agency, points to the MMP environment as the root of much of the policy uncertainty shrouding business confidence.

"The multiplicity of Government reviews has been driven by a lack of election policy preparedness, which is understandable in an MMP environment," says Stobo. "What is not understandable is the subsequent sudden decision on mining and drilling without prior public consultation or an equivalent review. Potential further policy uncertainty makes it harder for businesses to hire and invest."

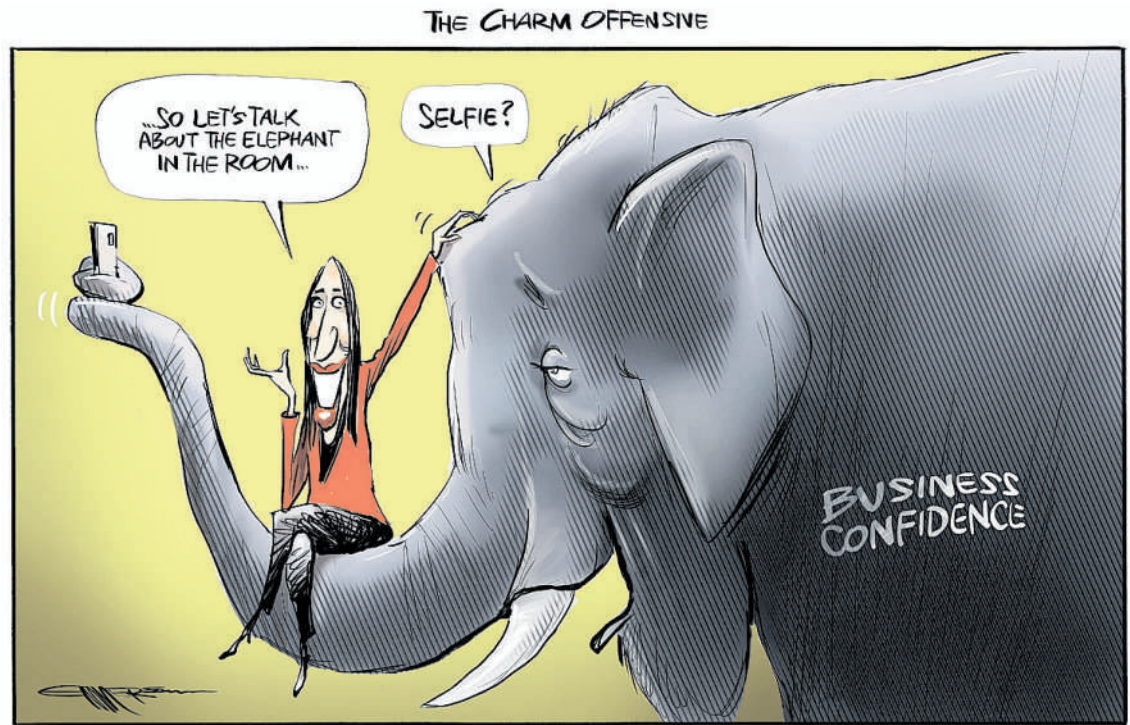
Others agreed, with NZ First a particular target of frustration.

"The Government is trying to forge a better understanding with the business sector but they keep doing things that make us nervous," declares an agribusiness boss.

"Shane Jones is a confidence 'wrecking ball' and there seems to be a NZ First dominance in the coalition."

"A lot of new ministers, who have a low understanding of what matters to business. A lot of changes without consultation, and doctrinaire thinking."

Another executive, this one from the financial sector, cited NZ First's involvement in economic policy as



key, among broader concerns about the country's economic direction.

"The Government seems hell-bent on smooth talking – especially Robertson, Hipkins and Ardern – whilst quietly reducing the economic well-being of New Zealand," says the banking executive.

"NZ First's 'bribe' to be in government is delivering the worst possible investment decisions – based on vote-buying and self interest rather than rational analysis. The lack of commercial judgement in government is deeply concerning."

However, others were more positive.

Ross Buckley, chair of "big four" accounting and professional services firm KPMG, says they observe strong performance.

"Big four firms are a good barometer of the economy. There are many sectors that we are working

with that are performing well, including Food & Agri and Financial Services, and many of the underlying business fundamentals are solid."

"We remain positive about New Zealand's economy and the role we play in it," says Don Braid, CEO of Mainfreight. "We are unsure where the pessimism is coming from in other quarters – perhaps it is the politicisation of business."

This reflects a broader debate around business confidence surveys, with some arguing that responses are driven more by political leanings than by underlying business confidence.

Indeed, 48 per cent of executives say they expect to authorise more capital expenditure over the coming year (18 per cent say they expect to authorise less, and 33 per cent will hold levels constant).

A majority expect revenue growth (68 per cent) and profit growth (58

per cent).

But should planned policy changes come to fruition, these numbers could fall. Most significant among those changes is the Employment Relations Amendment Bill.

"While we are comfortable about our own business prospects over the coming year, we have significant concerns around the proposed Employment Relations Bill," says Mark Cairns, CEO of the Port of Tauranga.

"We don't have a problem with collective bargaining (we have five collective agreements) or unionism (we consider that we have productive working relationships with the three unions that we deal with). We do have significant concerns about not being able to opt out of Multi-Employer Collective Agreements (MECA)," he explains.

"Under a MECA environment, industrial action at one port means it is likely that all ports in New Zealand would close (two ports have been closed due to strike action this last year). With more than 40 per cent of New Zealand's exports routed through Port of Tauranga, this would be a disastrous outcome for our economy."

"Inevitably, the proposed changes in employment law will have or already have been factored in to business expectations," says David Mair, CEO of Skellerup Holdings. "Where they can, companies will capitalise labour (machines vs people); or simply move products and processes offshore. As usual, the Government is focused on employment, but the

“

The Government is trying to forge a better understanding with the business sector but they keep doing things that make us nervous.

Agribusiness Boss

My take on business confidence – Christopher Luxon Air NZ

Many in the big corporate end of town would say it still looks very strong. If I look at Air NZ's future bookings we're seeing very strong underlying demand. GDP of 1 per cent for the June quarter was pretty good and above expectations. The cashflows out of the reporting season were very, very strong. If you look at SMEs' cashflows they're actually very good too. You can't see a physical economic problem. But there clearly is a perception problem around business, and arguably starting to spread into consumer confidence.

There's probably three reasons for it:

1. The Coalition dynamics are new and they are leading at times into confusion over who's actually in charge. For the business community, where they have been attacked

personally in the way they have been through NZ First, who are Ministers of this Government, it has been discombobulating. Because we've had 17 years under Helen Clark or John Key governments which has given us a really great platform and a foundation in place. So, the anti-business Trumpian politics is something that we haven't been used to. If we respond to it, it just ends up undermining Jacinda Ardern and Grant Robertson. That needs to get sorted.

2. There's no policy certainty or framework for people to try to navigate at the moment. If I talk to SMEs, they say, 'If you think the 90 days law is going to be done, why don't you just do it and then we'll adjust to it. If you're going to put in immigration

constraints when I've got a skilled labour shortage in regional NZ, can you just tell me, so I have to know what I have to do.

'At the moment I'm spending all my time trying to deal with all these things you're thinking about and I'm not actually out there winning in the market and building my business.'

We need to stop the talking, less hui, more do-ey.

Business will deal with what the Government decides to do. It may not like it. But it's very good at adjusting to what it has to deal with.

What it's not good for is: 'Do I invest that capital in that decision to grow my business, or, do I have to carry cover and wait for an increased input cost that's coming my way?' So, it's that sort of tension.

3. It's a new Government and like any new leadership and any new organisation it's still trying to find its feet. It's got a leader who can talk the narrative very well. But it has people who are very new to political management and the mechanisms of government. In fairness there are people who are more socially and environmentally skilled. But there is little commercial experience. The answer to that is what Helen Clark and Lianne Dalziel did. They went out and they engaged in a very formal but structured and positive way with business across the whole country. There has to be an intentional action to do that. The Coalition dynamic is new after 17 years of stability. They just need to lay an egg and get it done.

Business Advisory Council – E20

MOOD OF THE BOARDROOM

CONUNDRUM



I suspect a lot of the concerns larger businesses have around Government policy direction stem from this single decision.

Construction Boss

continued from E4

number of unemployed will grow.”

Says the CEO of a construction firm: “The current Government is naive about how the decisions they make affect the decision-making process of CEOs. They tend to tell rather than listen and, to be frank, they haven’t got much of a clue on the way the economy works.

“Business copes, that’s our job, but we are dealing in a bit of a fog.”

The fog is thickened by question marks over the adequacy of transport infrastructure and New Zealand’s labour market, too.

Many of these challenges – employment legislation, skills, infrastructure, and productivity – are inter-related, as reflected in one agribusiness leader’s comments:

“We need better regional infrastructure. Productivity is held back by clogged roads. We want to grow and employ more people, but there is a shortage of the skills we are looking for. And we don’t really want to take a chance employing new people we may be unsure about because it looks like it will be much more difficult to sort out.”

A shipping boss concurred: “The issue of transport infrastructure is one of great concern. The negative impacts of reducing productivity and congestion are ones that can limit NZ’s ability to grow.

“Looking at the future is easy enough to do – but creating a plan to deal with the task and ensure future success and sustainability is key. We are simply moving too slowly.”

“Auckland congestion is a major drag on productivity and quality of life,” said Tom Nickels, managing director of Waste Management. “AT and NZTA need to prioritise investment in road and heavy rail to support the forecast growth in Auckland;

if not, the adverse impact on the ability to move goods and services and flow-on effects will be intolerable. PPPs and tollways should be considered.”

For other executives, such as Anna Curzon, chief partner officer at Xero, the challenge is one of long term vision.

“More clarity of vision needs to be given to the type of nation we want to be. We need to be laser-focused on the things we want to be world class at, given our challenges,” she argues. “Like encouraging more remote workers and learners and providing the IT infrastructure to make this happen (i.e. in a bid to ease congestion and increase productivity).

“This requires big picture thinking across not just capital investment but also designing for the future of work.”

Sam Stubbs, managing director at Simplicity, sees cause for optimism outside the political arena entirely – and believes New Zealand is “about to have our Singapore moment.”

“New Zealand business is underestimating the impact of KiwiSaver capital flows, which will inject \$75b into the local economy over the next 12 years,” he explains. “It’s a rising tide of savings, investing every week, and looking for long term investments, including infrastructure. It’s domestic savings and depoliticised.

“NZ has never in its history seen such a large amount of domestic investment capital that wasn’t government debt or highly leveraged and speculative.”

Though most bemoan the uncertainty, one industry will see opportunity.

“Good legal advice becomes all the more important in time of economic turbulence, and regulatory change,” says Lloyd Kavanagh, chair of law firm MinterEllisonRuddWatts. “We expect both in the next 12 months.”

CEOs: The single biggest factor that will assist my business to remain internationally competitive from New Zealand.

23.5%

Government/council policy

22.6%

Skills and talent

14.8%

Specific govt/council policy

8.7%

Market access

5.22%

Exchange rate

5.22%

Costs – Supply Chain

5.22%

Better technology/R&D

4.35%

Company internal issues

3.48%

Strong stable economy

2.6%

NZ’s reputation

2.6%

Ambition

1.71%

Other

Storms washing over the oil and gas platform

Tim McCready

The Coalition Government’s “oil and gas ban” provoked a strong response from CEOs, many saying it contributed to the downturn in business confidence.

Some 77 per cent of respondents to the 2018 Mood of the Boardroom survey agreed the Government should have waited until the Productivity Commission set out its pathway to a low emissions future and taken that advice on board before making a decision.

While CEOs acknowledge the nature of the decision would have been unpopular with some whenever and however it was done, they describe the decision as “egregious” and “naive” for its urgency and suddenness.

A residential construction boss says it had contributed to the lack of confidence business has in the Government: “The absence of consultation on this issue and the manner in which it was announced was frankly bizarre. I suspect a lot of the concerns larger businesses have around Government policy direction stem from this single decision.”

The ban on new offshore oil and gas exploration was jointly announced in April by Prime Minister Jacinda Ardern, Regional Economic Development Minister Shane Jones and Climate Change Minister James Shaw.

The Crown Minerals (Petroleum) Amendment Bill took the industry by surprise – largely as it was not part of a confidence and supply or coalition agreement, had not been explicitly promised by Labour during the election campaign, and was announced without being robustly con-

ted through Cabinet consideration.

Chen Palmer’s Mai Chen says the Government can do what it wants to do, but the way it did it wasn’t ideal. “This affected business confidence, and they are now having to unspook business that the same approach will not be taken to other industries.”

“Moving too quickly has created uncertainty over future energy sources. Change without a transition plan risks unintended negative consequences,” says an infrastructure advisory firm boss.

A CEO from the entertainment industry suggests waiting might have enabled the Government to provide greater substantiation: “The decision to do something in itself is to be commended, but it might have had greater support if the process had been better.”

Support for the decision – but not the process – shone through from some of respondents, with suggestions that it could provide an opportunity for New Zealand. 15 per cent of respondents believed the Government was right to move when it did; 8 per cent were unsure.

“New Zealand is well-placed to develop alternative technologies for renewable replacement of fossil fuels – and without tension, this will never occur,” says Wellington Energy CEO Greg Skelton. “The scarcity of local fossil fuel will drive the required innovation and set New Zealand up as an international leader in this area.”

A boss in the marketing industry feels that 40 years, with current licenses still to be executed, provides enough time to adjust.

“A clear signal was needed to the industry to look at what they do now and plan to change, rather than carrying on as in the past.”

Failure of confidence knocks off the shine



Mood of the Boardroom
Liam Dann

The Government has its work cut out to win over the nation’s business leaders, the Mood of the Boardroom survey shows.

In a contrast to some business confidence surveys this year, chief executives remain upbeat about their own business prospects.

But they are less optimistic than they were a year ago – about both the domestic and international economy.

This year business confidence has become a hotly debated political issue with business groups expressing concerns about the Coalition Government’s plans for employment law, its move to ban offshore drilling and the lack of certainty in other policy areas like migration. In some business surveys confidence has fallen to levels not seen since the global financial crisis.

Critics have been quick to point the finger at the Government and its policies.

In what can only be a good indicator for New Zealand’s economic outlook, the Mood of the Boardroom survey shows a clear majority of business leaders plan to either maintain or increase capital expenditure and investment in staff and IT in the next year.

However the level of positivity has fallen since last year’s survey.

For example just 48 per cent said they expected to increase capital expenditure compared with 56 per cent in 2017 for this measure.

In terms of earnings expectation 58 per cent expect their business to grow profitability in the next year and 68 per cent expected revenue to grow.

That compares with 75 per cent and 82 per cent respectively in last year’s survey on this measure.

Though the CEOs responding to the 2018 survey appear broadly optimistic about their own outlook they do highlight several issues of concern.

Optimism about the domestic economy has dipped.

More than 55 per cent of business leaders were slightly less optimistic about the domestic economy than they were a year ago, 16 per cent were much less optimistic.

On the domestic front some perennial concerns such as transport, traffic congestion and skill shortages remain top of mind – as they have for the past few years.

But some other issues specific to the new Government are starting to show through – proposed employment law changes are seen as concerning by a large majority of respondents and as extremely concerning by 15 per cent.

The Coalition’s proposed employment law reforms are currently going through the parliamentary process – and have

just completed select committee.

The issues that business groups highlight as cause for concern include the repeal of the 90-day trial periods for firms with more than 20 staff, the rise in the minimum wage and a strengthening of the collective bargaining framework which will give unions easy access to the workplace. The centre-left Coalition and business are never likely to see eye to eye on employment law but one broader issue raises even more cause for concern.

“General uncertainty around the impact and direction of current policies” is seen as extremely concerning by 16 per cent.

This is where the ball is more squarely in the Government’s court.

Efforts thus far to reassure business have been undermined by execution in relevant areas – such as the debacle around the appointment of the chief technical officer.

Grant Robertson will be quick to remind business leaders that there has been no wavering on the core policy of fiscal responsibility – which should underpin a base level of confidence in the Coalition even if

there is concern about specific policies. But the announcement and subsequent selling of the ban on offshore oil and gas exploration provides another example of a move which has sowed uncertainty in the minds of business.

Business also has concerns about the lack of a policy framework on immigration.

Pre-election there were promises to make substantive cuts. The fact that net migration gains remain strong has been a plus for business.

But a lack of clarity about longer term immigration policy will be adding to uncertainty for businesses facing skills shortages which require offshore labour.

On the global front, the numbers also reflect growing concern about economic risks – with 56 per cent slightly less optimistic and 18 per cent much less optimistic.

The ever present – and often very acute – risk of cyber security breach remains the single largest cause of concern for business leaders in the survey. However, in aggregate, a host of issues relating to international trade appears to be looming as one

of the biggest concerns right now.

These include: the trade war between the US and China, protectionism, the Trump factor in US politics, the uncertain Chinese economy and US tariff hikes.

Those issues rank consecutively as the next five biggest risks, after cyber security.

The threat that fallout from a trade war could slow or even crash the global economy is very real and especially acute for a small trading nation like New Zealand.

Commodity prices have already taken a hit this year.

On top of trade tensions is the underlying nervousness about the sustainability of global growth as we head into our 10th year of recovery from the global financial crisis.

Stock markets are riding precariously high and expectations are that interest rates will start to rise putting pressure on global debt levels.

In tandem, the lack of confidence in the Government and increasing global risk are combining to take the shine off what is otherwise becoming one of the longest sustained periods of growth in New Zealand economic history.

That’s a shame, because as we roll past the traditional timeframe in which the local economy has tended to come unstuck, the bonus years should be providing business with confidence and an opportunity to invest in ways that will provide a buffer against the next external shock when it inevitably arrives.



The bonus years should be providing business with confidence and an opportunity to invest in ways that will provide a buffer against the next external shock.

MOOD OF THE BOARDROOM

Disciplined Robertson rates

Finance Minister Grant Robertson's fiscal discipline focus against Budget bids by colleagues has resulted in this factor topping the ratings of Coalition key performance indicators by CEO respondents to the 2018 Mood of the Boardroom survey.

But, cautioned a media boss, "loading debt into Crown entities undermines the credibility of reported Government fiscal metrics".

Strong focus on regional development – a New Zealand First Initiative – resulted in this factor coming in second place, despite misgivings many CEOs have over the political style of the Minister, Shane Jones.

"Many of the challenges NZ faces like low productivity (despite working long hours) and flat to declining GDP per capita, will take a long time to resolve," says the Auckland-based head of a legal firm.

"But so far there is not much sign that Labour has a plan or even fresh thinking. At least NZ First and the Greens seem to have a plan and have made some progress with regional development and environmental issues – even if one might not agree with how they are going about it."

The Coalition's pragmatic response to international trade – where they surprised by devising an early fix and signing up to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – was also recognised. "The new TPP was a highlight," said the chair of a major tourism company.

But, said the head of a lobbying firm: "They over-promised and have under-performed in health and housing. They signed TPP which was great, but have ignored China so far. Their immigration policies have destroyed our export education industry."

"The Government has set worthy

Coalition KPIs

The top five key performance indicators in CEOs' eyes

Maintaining fiscal discipline	3.03/5
Regional development	2.96/5
International trade	2.94/5
Auckland partnership	2.87/5
Working relations with China	2.83/5

Key Coalition policies

Health	2.77/5
Mental health	2.74/5
Water quality	2.68/5
Infrastructure investment	2.65/5
Housing shortage	2.64/5
Crime	2.58/5
Wealth gap	2.57/5
Decreasing net immigration	2.46/5
Education	2.42/5

Bottom five KPIs in CEOs' eyes

Youth unemployment	2.25/5
Economic growth	2.21/5
High value economy	2.04/5
Foreign Investment	1.98/5
Business confidence	1.67/5

aspirations for our country but achieving them takes hard work and pragmatism," said Infrastructure New Zealand CEO Stephen Selwood.

"Tackling key barriers to growth like transport infrastructure and water security need more urgent action. Dialogue with key trading partners seems to be missing, now being commented upon by those partners."

"Much of the drag on NZ comes

from Auckland and achieving progress will take courage, capital and decision-making," said Auckland Chamber of Commerce's Michael Barnett. "Similarly, issues like mental health and better-managed immigration have been present for a long time and will need dramatic action to deliver difference. If NZ didn't have 4.5 million experts on these issues we could probably make decisions and

have some wins and losses but achieve some progress without public hangings."

Others pointed to too many working groups leading to "little hope of implementation in the first term"; infrastructure investment seeming to be "more about vote winners versus where it's needed" – all leading to little of substance being achieved to meet key promises.

Role for Business?

When asked whether there was a role for larger New Zealand businesses to work with the Government to help sustain the economy of provincial New Zealand, 87 per cent agreed, 6 per cent indicated that they don't think this is a role for big business, 7 per cent were unsure.

The CEO of a food distributor said his company has made significant investment in building new distribution centres in regional New Zealand over the past few years – "with precious little support in dealing with red tape, consents, etc".

"The Government needs to work on a long-term model of engagement on policy areas where New Zealand business can contribute," said departing KiwiRail CEO Peter Reidy. "Language also needs to change – business growth is good for New Zealand, it grows jobs and income to help New Zealand grow."

Adds Vector director Dame Alison Paterson: "I'm sure there is a role as long as there is an incentive, or at least the certainty the effort is not fruitless – remember Shane Jones holds the purse strings to the \$1b development fund – what does he think?"

● "Businesses can allocate human and financial capital faster and more effectively than any government apparatus. The Government should say what they want and then tender

CEOs rated the Coalition Government's performance in key areas since the 2017 election on a 1-5 scale where 1=not impressive and 5=very impressive.

Is there a role for larger businesses to work with the Government to help sustain the economy of provincial New Zealand?

87%

Yes

6%

No

7%

Unsure

for the creative consortium outcomes. Sugar rush spending from the Regional fund is going to lead to a sugar hangover." – Energy boss.

● Encouraging growth in the provinces is "easier said than done – as you're fighting against global trends towards big cities" – Spark CEO Simon Moutter.

● "Digitisation means the vast majority of all New Zealanders get access to services 24/7. The stress point in the provinces is not withdrawal of services, but the transition many of them are making to the new economy" – Banking boss.

● **See: Grant Robertson's fiscal focus – E10.**

Marking the report card

Cabinet Ministers were rated on their ministerial portfolio performance over the past year on a 1-5 scale, where 1 = not impressive and 5 = very impressive.

Grant Robertson's rating does not yet mirror the respect that CEOs have had in past surveys for former National PM Bill English when he held the finance portfolio.

But throughout the survey it is clear that chief executives view him as a considerable asset to the Coalition.

"Grant Robertson is doing an excellent job of selling Labour's plan. He is engaged with business and good to work with," said Infrastructure NZ's Stephen Selwood. "Phil Twyford's ambition for transformative change is compelling."

"But the coalition needs to do what's right for New Zealand, focus on what counts and avoid their ideological agendas."

An agri chief was on the nose: "Robertson best of the bunch. Intelligent and listens. Too much smug doctrinaire crap from the others. Promised a lot that they can't deliver. Jacinda is being dragged down by them."

Regional Economic Minister Shane Jones' mid-pack rating was clearly influenced by his personal attacks on business leaders.

"We're not in Guatemala now [Dr] Shane," said an energy chief. "He's going to get outplayed at his own game shortly."

"I think all leaders in the Coalition need to give their teams the message that they need to be disciplined and deliver," said a leading company director.

"There's no room for sloppiness and their egos getting out of

The Top Ten

3.62/5
Finance Minister Grant Robertson

3.3/5
Prime Minister Jacinda Ardern

3.23/5
Foreign Minister Winston Peters

3.06/5
Trade Minister David Parker

2.88/5
Justice Minister Andrew Little

2.82/5
Police Minister Stuart Nash

2.77/5
Housing and Transport Minister Phil Twyford

2.71/5
Agriculture Minister Damien O'Connor

2.55/5
Regional Economic Development Minister Shane Jones

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

1.84/5
Kelvin Davis

down their overall ratings.

These include: Health Minister David Clark (2.47/5), Energy Minister Megan Woods (2.43/5), Workplace Relations Minister Iain Lee-Galloway (2.42/5), Social Development Minister Carmel Sepuloni (2.4/5), Building and Construction Minister Jenny Salesa (2.39/5), Defence Minister Ron Mark (2.35/5), Local Government Minister Nanaia Mahuta (2.28/5), Education Minister Chris Hipkins (2.26/5), and, Children Minister Tracey Martin (2.22/5).

Among comments: "Iain Lees-Galloway has been a disaster at business forums. Not listening and driven by his own ideology."

"If the Government wants a good relationship with business they should get him out of there – quick." (FCMG boss);

"Davis hopeless. Lees-Galloway can't hide his hatred of business and this impacts on anything Ardern tries to do. Hipkins very good but overloaded, as is Parker. None of them very accessible." (Lobbying firm boss).

While Ministers outside Cabinet were not rated in this year's survey, a number of bosses had views.

Conservation Minister Eugenie Sage was slammed as a "real problem" – "Zero out of ten and only interested in a small minority of constituents."

"She will have a negative impact on this govt long term," said a construction boss. "This was a fiery bad and naive appointment – a life member of Forest and Bird as Minister of Conservation?"

Another described, Julie-Ann Genter as a standout in the Associate Transport portfolio and as Minister for Women "ensuring a much stronger voice with action for this ministry". Labour MP Louisa Wall was also marked for promotion.

Praise for minor party leaders

New Zealand First leader and Deputy Prime Minister Winston Peters is seen by business as the "most impressive" of the minor party leaders.

On 3.07/5, he narrowly pipped Greens Co-leader and Minister for Climate Change James Shaw (2.98/5) in the 2018 survey.

Peters was dominating "through experience" . . . "Winston's experience has shined and he is cruising nicely", were typical comments.

"I give Peters that rating grudgingly, and more as a reflection of how he is performing relative to the fact that he leads a minor party and keeping it relevant," said a residential construction head who rated Peters at 4/5. "I may not like the policies or the style or the constituency, but he's doing a great job of representing himself by representing their interests."

"Shaw seems to be actually doing the hard work of addressing environmental issues – largely without recognition," said a legal firm boss. "Peters has shown himself to be a safer pair of hands in government than we expected (just as he did the previous times)."

"But Peters has to address Shane Jones' behaviour and comments, which could be very damaging to NZ as a destination for foreign investment. Seymour and Davidson are non-entities – each in their own way."

Said a tourism boss who rated the Greens co-leader 5/5: "James Shaw has been the best performing minister in the Government."

"Assiduously built relationships and focused on what he came to do – has great clarity on his job."

There was just one comment relating to Greens co-leader Marama



David Seymour won publicity in Dancing With the Stars.

Davidson who was rated 1.73/5.

"Shaw and Davidson balance each other out. One calm and sensible and approachable and the other extreme and reactionary." - Lobbying firm boss.

As for Act leader David Seymour who came in at 2.24/5: "Great Dancer. No, seriously, he has stood up very effectively on the Maori Charter schools which are working," – Private Equity boss.

MOOD OF THE BOARDROOM

Peters a 'pleasant surprise'

Tim McCready

Last year's Mood of the Boardroom survey – conducted in the lead-up to the general election – saw a whopping 94 per cent respond "No" to the question: "Should either party concede Prime Ministership to Winston Peters on an interim basis to achieve power?" and incited some on the nose responses, including: "FFS", "Heck no" and "Winston doesn't have the work ethic to be Prime Minister even for a couple of weeks."

And yet Peters, 73, found himself in exactly that position – albeit outside the terms of the Coalition Agreement – when he stepped in for six weeks during Jacinda Ardern's maternity leave.

"Winston's natural statesmanlike qualities shone through strongly as Acting Prime Minister," said Beca CEO Greg Lowe. "He looked comfortable in the role!"

A real estate boss, who was critical of Peters in last year's survey was magnanimous, conceding "as one who was concerned, I thought Winston proved himself very well".

"Winston has pleasantly surprised business – he has mostly been measured and level-headed," added a professional director.

When asked how Peters performed during his six-week tenure as acting Prime Minister, 59 per cent of respondents felt that he performed better than expected, 40 per cent thought he performed to their expectation. No one responded that he had performed worse than expected (just 1 per cent indicated they were unsure).

A banking boss suggested Peters



"I thought Winston proved himself very well," said a real estate boss.

came across as an elder statesman, and had "shown himself to be a safer pair of hands in government than we expected".

But some questioned why Peters can't continue this mantle, with a health care chief executive bemoaning "why can't he perform like that without the title? When he holds the titles, he performs well – not when he is outside throwing stones."

EMA chief executive Kim Campbell noted "his experience was clearly on display, and he had his eyes fixed on the history books".

Others were pungent – "No upsets. But policy slowed down and Jacinda was in trouble straight after," noted a Wellington-based lobbyist.

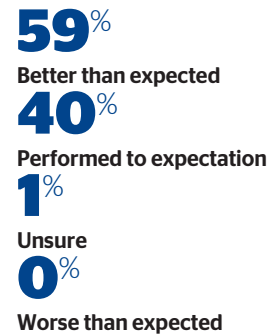
Of the minor party leaders, Winston Peters was top of the table in his

rating for leadership by New Zealand chief executives and directors – just ahead of Green co-leader James Shaw – scoring 2.98/5 on a scale where 1 = not impressive and 5 = very impressive (and up from his rating of 2.8/5 in last year's Mood of the Boardroom survey).

Peters who holds the foreign affairs, SOEs and racing portfolios was also near the top rankings for his performance as a cabinet minister, receiving a grade of 3.23/5 (compared to the rating he received last year for his performance in Opposition of 2.6/5).

Political commentators have suggested there are cracks looming in the Coalition Government, with

How did Peters perform as Acting PM?



some claiming Peters is "muscle-flexing," "outsmarting and outmanoeuvring Labour" and "trying to pull off a massive shift in power within the Coalition".

Political uncertainty has contributed to the current level of business confidence, but some suggest Peters has helped mitigate the fall in business confidence.

For instance, respondents have acknowledged NZ First's potential



role in modifying aspects of the employment legislation currently in front of Parliament to get a more business-friendly outcome, particularly in the regions and for small business.

"Even though it pains me to say it, without Winston Peters' involvement, business conditions would be way worse," said a travel and tourism boss.

However, there is some scepticism as to whether Peters has New Zealand – or New Zealand First's best interests at heart: "Winston Peters was OK as acting Prime Minister," says the head of a telecommunications firm.

"Unfortunately, New Zealand First's stated and explicit goal has nothing to do with a better New Zealand – just to keep itself relevant for the next election."

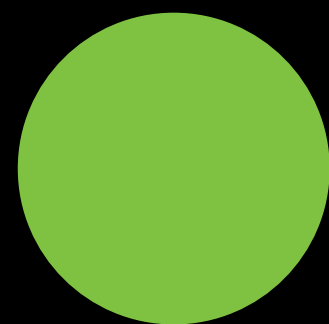
There are concerns over special pleading. For instance, Inland Revenue officials have warned against the tax breaks Peters obtained for the racing industry, saying they could cost the Crown up to \$40 million in lost revenue.

A professional director was more direct: "Winston has done better than I thought in some ways... but balancing the money thrown at the provincial growth fund and racing industry is pork barrel politics at its worst!"

Winston's natural statesmanlike qualities shone through strongly as Acting Prime Minister.

Greg Lowe, Beca

© 2018, Deloitte Touche Tohmatsu Limited.



Full spectrum digital transformation.

Deloitte.

MOOD OF THE BOARDROOM

Not yet a credible Opposition

Tim McCready

When Amy Adams was appointed National's Finance Spokesperson she said the role was "a hell of a steep learning curve".

Adams, defeated by Simon Bridges for the National Party leadership earlier this year, was quickly awarded the prime finance shadow portfolio.

A year on from the 2017 general election – where National's strong showing should have put it in the pole position to form a government – the party is struggling in the eyes of CEOs to carve out a credible economic alternative to the Coalition Government.

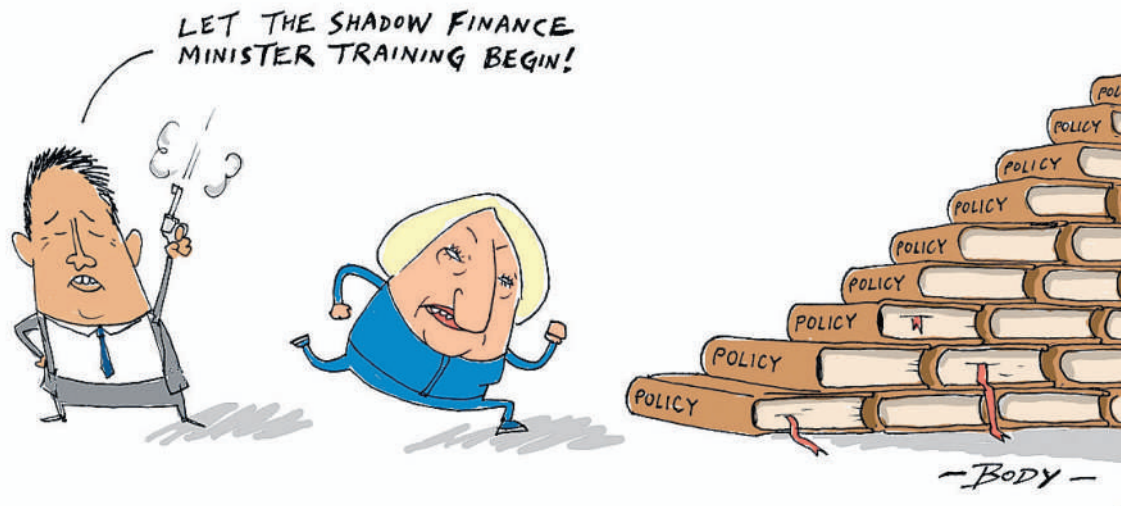
Two-thirds (68 per cent) of respondents to the 2018 Mood of the Boardroom survey are in this camp.

To some extent, National is a victim of the electoral cycle.

Said Deloitte chief executive Thomas Pippas, "To date it has been somewhat disappointing I would have thought for them, but probably not unexpected given the political cycle."

Mainfreight CEO Don Braid responded: "National need better policy alternatives and to stop worrying about the trivial matters that seem to be the focus of Parliament at the moment."

"There is no credible government



or opposition currently on the horizon. Tragic," says the CEO of a homewares company.

Many of those surveyed acknowledged that it will be difficult for National to credibly criticise the Coalition's handling of major areas that could be seen as National's lack of action after nine years in government.

Explains the chair of a professional services firm: "For example, infra-

structure to match the growing population, the housing shortage in Auckland, and overpriced housing compared both to household incomes, and to comparable dwellings in places like the United States and Europe."

Adds a residential construction boss: "Housing is a critical issue and one on which the electorate sees National as having failed badly on. Mocking Phil Twyford may make for

a satisfying afternoon in the House, but it's hardly presenting a credible alternative strategy."

An energy sector leader said their feeling towards the Opposition goes further than providing an economic alternative.

"They haven't carved out a credible political, social or environmental alternative either."

But although it was widely believed that National is not yet

Has National begun to carve out a credible economic alternative to the Government?

68%
No
11%
Yes
21%
Unsure

performing as the well-oiled Opposition they may be hoping for, some CEOs noted that they still offer a better alternative to the Government – they just need to find some friends to make sure they're not caught short at the next election.

"National is still polling in the 40s – so New Zealanders like them.

"What National needs is a credible coalition partner to help them get over 50 per cent," says a banker.

Waiting for a punch to land

CEOs and directors of New Zealand's largest companies were asked to rate Simon Bridges' leadership of the National Party on a scale where 1=not impressive and 5=very impressive. They gave him a middling grade of 2.44/5. This is down on the rating of 3.16/5 Bridges received as a cabinet minister in last year's survey.

In an effort to boost his low preferred Prime Minister ratings, Bridges invested a lot of time into his 'getting to know Simon' roadshow around the country.

"I'm working incredibly hard as Opposition Leader to get out there and understand what's happening in New Zealand. I'm getting out and doing the hard mahi," said Bridges.

The tour caused controversy – and a subsequent investigation into the expenses leak – when it was revealed he spent nearly \$113,973 on his charm offensive tour.

Worse still, CEOs don't think it has raised his profile in the way Bridges would have hoped for.

"He doesn't have the necessary gravitas and charisma to get cut through," said a professional director. He is a smart guy, but not a credible leader on camera, and therefore, he won't get public support,"

New National Party leader has not built bridges to business, writes **Tim McCready**

said the CEO of an agribusiness firm. "National is going to need a more compelling leader if they are to be elected in the next election," surmised the boss of a large food and beverage business. Some pointed to his "prosecutor" style – criticising Arden for anything her Government does, without offering a constructive alternative policy or action.

On the policy front, chief executives would like Bridges to share more of his vision for what National stands for, putting forward a clear direction for New Zealand and sharing his future aspirations for the country.

"It seems like opposition for opposition's sake," said Infrastructure NZ CEO Stephen Selwood. "Negativity is hard to like. National needs to take the moral high ground and invest in strong policy research that will take New Zealand forward. In an MMP world they need to build effective partnerships."

Added an energy boss: "We are all waiting for a real punch to land. Bridges' best day since Labour got in was the in-house haggle on

the floor of Parliament when they were trying to sort votes for the Speaker on day one. He hasn't got close to that high-water mark since."

Former National opposition leader Don Brash was more forgiving, suggesting that "in due course he will need both to disown some of National's past mistakes (such as a complete failure to improve the RMA and the shambles created by the Marine and Coastal Area Act) and spell out where National will do better – both than the Government and the previous National Government".

Big shoes to fill

In his eight months as leader of the National Party, Bridges has discovered Bill English and John Key's shoes as party leaders are not easy to fill.

The contrast between Bridges and the highly popular National leaders who preceded him was noted by respondents.

"To be fair, it was a hospital pass taking over from John Key and Bill English... but he looks out of his depth to me," responded one chairperson.

"Bridges has a major communications issue.

"He may be trying to emulate Key's style, but he is failing woefully," said a professional director.

Others were more pragmatic, suggesting that – given time – Bridges will have a greater impact on the electorate. "It is hard to make an impact in opposition and he is new to the role," says independent director Dame Alison Paterson.

This sentiment was echoed by a telecommunications boss: "It feels like he is still finding his feet."

A real estate CEO added that Bridges is growing in stature.

"He is unknown by many but he is slowly getting out and meeting people. His ratings are low, but party vote confidence will build this."

"It has been a quiet start but he is now starting to ramp things up as he gets more confidence."

A residential construction firm boss advised: "I get a sense that National still feel 'we were robbed' as opposed to 'we failed to take our chances when we had them and missed the key penalty'," said a residential construction boss.

"National may be the largest party in Parliament, but unless you have more than 60 votes, that matters not. Ditch the 'John Key Lite' impersonation, ask where you can get a credible alternative for partners, and get the team focused on laying out credible alternative policies for the genuine social and infrastructural issues that New Zealanders have demonstrated they care about."

Interestingly, towards the end of the three-week survey period there were more stumbles by the Government for the opposition to grapple with – including the sacking of Ministers Clare Curran and Meka Whaitiri, the botched CTO appointment, and Jacinda Arden mis-speaking on GDP figures – yet the average rating given for this question didn't really change over time.



We are all waiting for a real punch to land. Bridges' best day since Labour got in was the in-house haggle on the floor of Parliament when they were trying to sort votes for the Speaker on day one. He hasn't got close to that high-water mark since.

Energy Firm Boss



MOOD OF THE BOARDROOM

Cut the bombast, Shane

Tim McCready

New Zealand First MP and Regional Economic Development Minister Shane Jones has come under harsh criticism recently for his attacks on private business and business leaders.

He's put the banking sector under fire – echoing the concerns of the bank workers' union over the closure of rural bank branches – and has publicly lambasted Fonterra, The Warehouse and Air New Zealand on other issues.

Amid reaction to Fonterra's recent announcement of its \$196 million net loss for the 2018 financial year – Jones urged the dairy company's new chief executive, Miles Hurrell, to “get out the hedge clippers and start pruning people”.

The revelation that almost 6,000 Fonterra staff earn more than \$100,000 a year – 750 more than in 2017 – sparked Jones to say: “based on this performance, they don't deserve the minimum wage”.

His remarks were picked up by the boss of another dairy company, who said: “The latest comments regarding staff in Fonterra needing to be fired is frighteningly naive and misguided.”

“Perish the thought anyone takes him seriously.”

With several powerful portfolios under his belt – including Infrastructure, Regional Economic Development and Forestry as well as associate roles in Finance, State-Owned Enterprises and Transport – it is obvious Jones carries huge weight in Cabinet when it comes to commercial issues.

But despite his commercially



And the band plays on and on . . . CEOs have tired of the Cabinet Ministers' attacks.

oriented portfolios, the CEOs have awarded him a mere mid-pack rating on his performance in his ministerial portfolios of 2.55/5 on a scale where 1=not impressive and 5=very impressive.

In the 2018 *Herald* CEOs survey, Jones' bombastic statements were met with heavy criticism from CEOs: 80 per cent of respondents were concerned about Jones' practice of personalising his attacks on companies; 15 per cent were not unconcerned, and 5 per cent are unsure.

Deloitte CEO Thomas Pippas said

this is “politics at its worst”.

There was a flood of pithy responses including, “pathetic populist posturing”, “appalling”, “totally inappropriate”, “short-sighted political point scoring”, “play the ball not the man”, “he's a grandstander” and “he is a bully”.

Jones later defended his comments on Fonterra, saying they were just a joke.

“I'm a politician, I'm a retail politician,” he said. “You want a hefty payout, I want 5 per cent at the next election. It's pretty simple.”

His approach was too cynical for some.

There was agreement by some respondents that Jones' antics should be perceived only as tactics to boost his personal popularity and that of New Zealand First – with one suggesting his tactics are straight out of the “Trump” playbook.

“Shane Jones is two-faced,” said a banking boss.

“He's happy to come along to your corporate box, drink your wine, eat your buffet and watch the rugby, and tell everyone how much he's in touch

Shane Jones is two-faced. He's happy to come along to your corporate box, drink your wine, eat your buffet and watch the rugby, and tell everyone how much he's in touch with the business community and turn around the next day and slag you off to get a cheap headline.

Banker

“

with the business community and turn around the next day and slag you off to get a cheap headline. At least with Winston Peters and some of the Greens you always know where you stand.”

But though there's little doubt Jones is playing up to the electorate and polishing his image as the self-styled “champion of the regions”, EMA chief executive Kim Campbell concedes there is some truth behind his statements. “Much of what he says has a ring of veracity.”

“They need to be challenged,” agreed The Icehouse's Andrew Hamilton.

As to Jones' future, a real estate CEO suggested Jones is trying to make a name for himself, so when NZ First leader Winston Peters steps down he will be seen as the next leader – but cautions “in the meantime, he is damaging his reputation with such attacks on major companies”.

If so, said a legal firm boss, “Peters has to get Jones under control.”

“That sort of behaviour from a Minister of the Crown is very hard to explain to potential overseas investors, who see it as banana republic behaviour.”

Photo / Duncan Brown

FUEL YOUR DRIVE FOR THE PRICE OF A BURGER.

Learn more about EVs at mercury.co.nz

Energy made
Wonderful

Mercury 

MOOD OF THE BOARDROOM

'He's doing well in the toughest job'



Mood of the Boardroom
Tim McCready

In the 2018 Mood of the Boardroom survey, CEOs were asked: Does the Coalition Government have a co-ordinated plan of action focused on raising New Zealand's economic performance?

"No" said two-thirds (67 per cent) of survey respondents. Just 7 per cent said "Yes"; 26 per cent were unsure.

Beca chief executive Greg Lowe says the plan to grow the economy is not evident, despite the rhetoric – "Economic growth is key to funding the Government's social agenda and the plan needs to be developed along with the business community."

A marketing executive says it is too early to judge: "There are a number of reviews in the areas of tax, employment law, labour productivity, R&D and technology that need to come back to confirm the economic framework and how actions are to be coordinated, so that we can judge if this is a plan that will work."

On October 25, 2017 Robertson became Minister of Finance at the formation of the Coalition Government, having held the shadow finance portfolio for three years under Labour leaders Andrew Little and Jacinda Ardern.

In his first budget, delivered on May 18, the Government's finances showed a forecast surplus for 2018-19 of \$3.7 billion, up from the half-yearly forecast of \$3.1b, rising to more than \$7b by 2021. Treasury forecast economic growth up marginally, averaging 3 per cent a year over five years.

Robertson said the reports showed how well the Coalition Government managed costs and that it had stuck closely to the requirements in the Budget Responsibility Rules.

These figures undoubtedly contributed towards fiscal discipline topping the Government's top performance metrics, as rated by CEOs in this year's survey.

Robertson delivered a significant boost to public services, including \$3.2b extra for health services over four years, a large-scale state house building programme, and an extra \$1.6b for education.

He said public services had been underfunded for too long.

"Budget 2018 begins the economic and social transformation that must happen if New Zealanders are to have better lives in decades to come."

But some survey respondents are nervous the social transformation the Coalition Government is undertaking could be to the economy's detriment.

"Currently the Government is more focused on income distribution and increased support for those in need, than the economic performance needed to fund this," says a chief executive from the media industry.

An executive from the agricultural industry says: "I don't think they understand the real levers of economic performance – and that a strong economy will ultimately provide."

What more should be on Robertson's agenda?

Of the 154 survey respondents, 111 responded to the open-ended question "What more should be on Finance Minister Grant Robertson's economic agenda?"

Of those sharing their advice, there were five key recurring themes:

1. Maintain a focus on the Future of Work and productivity levels

2. Increase infrastructure spending
3. Ensure economic growth remains high

4. Build business confidence and provide certainty

5. Rein in the Government spending on the Future of Work, Westpac's David McLean says: "In our industry the future of work's going to be a big issue... The Government has done quite a lot of work on the future of work but I think you're right, we need to now get together and actually turn that into practice."

"How it gets turned into practice too could go one of a number of ways but it is a real issue."

Some who indicated Robertson should be prudent with economic management are concerned at wasteful spending:

"Stop government wastage. Policy has been OK but the execution has been awful," says Paul Glass of Devon Funds Management.

Says Spark's Simon Moutter: "Ensure that the quality of government spending is maximised for the greatest economic/social return – recognising that this means you can't satisfy everyone."

Eight respondents were hesitant to add anything further to Robertson's agenda – suggesting he has enough on his plate.

"Nothing!" said Simplicity's Sam Stubbs. "There is plenty there, provided he lives up to the promises and areas of focus."

"I think Robertson is one of the



Huge work rate, big intellectual engine, personable. The Government needs another five of him.

Energy Chief

Does the Coalition Government have a co-ordinated plan of action focused on raising NZ's economic performance?

67%

No 7%

Yes 26%

Unsure

standout performers in this government. He is doing everything he should be doing – he is not creating the issues," responded Mai Chen of Chen Palmer.

"He's doing tremendously well in the toughest job in the Government," says a CEO from the energy industry. "Huge work rate, big intellectual engine, personable. The Government needs another five of him."

Only a handful of CEOs advised Robertson to pay more attention to social responsibility targets – including one from the fashion industry:

"Grant has to put on his big boy pants and work on our future. Focus on getting everyone housed and fed, and a good education."

"Pay teachers a LOT more – and throw everything at P to get it out of New Zealand."

Robertson's insurance policy

Busting the debt target

Finance Minister Grant Robertson's self-imposed budget responsibility rules have come under criticism for imposing unnecessary funding constraints on a country which faces a large infrastructure deficit.

The rules put fiscal constraints on the Government, including a commitment to get net core Crown debt to 20 per cent of GDP by 2020 and keeping core Crown spending at roughly 30 per cent of GDP – figures that have been deemed "arbitrary" by economists.

"We have made this commitment to ensure that future generations of New Zealanders are in a position to be able to respond effectively to any shocks – natural or economic," Robertson told a Westpac business breakfast earlier this year.

"We have been criticised by people who argue that these rules are too tight, and on the other hand by those who, despite all evidence to the contrary, believe Labour-led governments cannot carefully manage the Government's books."

Respondents to the Herald's Mood of the Boardroom survey have mixed feelings on whether Robertson should drop his commitment to the Budget Responsibility Rules: while 55 per cent say he should keep the rules in place, 21 per cent say he should drop them, 25 per cent are unsure.

Many of those in agreement with the rules feel that Robertson's insurance against shocks is justified: "In the next year or two we will experience a cyclical downturn, therefore it is important we keep our powder dry and have headroom to increase debt to soften the downturn when it comes – because it will," says a blue-chip company chair.

A marketing executive explains we should take the opportunity to reduce debt: "Take it now as the world economy is by no means certain, particularly with protectionism policies coming out of USA."

Others say the restraints are helping to build credibility in the Government.

"It is one of the key factors giving Labour the perception of understanding the business sector," says an executive in government relations.

ICBC NZ chairman Don Brash says the Government has a credibility problem already on the spending side: "Moving away from any kind of meaningful constraint on spending would be a serious further blow to their credibility."

New Zealand's need for massive spend in key areas – particularly infrastructure – was the main reason given to justify scrapping the rules.

"If the spend was on building infrastructure then definitely yes – Robertson should lift the cap. The debt should be amortised over the life of the asset," says the chairperson of a professional services firm.

An executive in the food and beverage industry says: "We need investment in New Zealand now. Whilst I would not like to see uncontrolled spending, transport infrastructure, education and health need to be transformed, with speed."

Alternative funding

Robertson has asked Treasury for advice on alternative mechanisms to fund infrastructure.

Survey respondents were decisive: 79 per cent feel that entities like the NZ Super Fund, ACC, iwi and KiwiSaver Funds should be encouraged to invest directly in new infrastructure; 14 per cent said no, 7 per cent were unsure.

This question generated enthusiastic responses: "YES YES YES!!" responded one executive.

"Especially considering that we have restrictions on overseas investment in strategic assets – these entities should be directed to invest a minimum amount in new infrastructure," added another.

Though many included the caveat that the investment case would need to stack up.

Chair of the MinterEllisonRuddWatts partnership, Lloyd Kavanagh, says "Provided 'encouraged' is not a euphemism for compelled. They will invest if the project meets their hurdle rate of return for the risk

involved. Remember that KiwiSaver Funds are the members' own savings from their after-tax income, which they will rely on in retirement."

Leveraging balance sheets

In light of recent revelations that the Government has borrowed \$6.5 billion through Crown entities NZTA and Housing NZ – which did not show up on core Government net debt metrics – CEOs were asked: Do you approve of Housing New Zealand and NZTA leveraging their own balance sheets to acquire funds for new infrastructure investment? 64 per cent responded yes, 21 per cent said no, and 15 per cent were unsure.

Those in agreement suggested this would put the accountability closer to the decision-makers – "but it would need transparency and a consolidated total Crown / state owned enterprise view," said an agribusiness boss.

EMA's Kim Campbell asked: "What is the point of them having a balance sheet if they don't use it?"

But others were wary this would obfuscate the issue.

"These are not trading entities," says Beca's Greg Lowe. "Government debt should be held by the Government."

Craig Stobo, chair of the New Zealand Local Government Funding Agency adds: "While it can be argued that funding in their own names enables those agencies to operate more independently of ongoing Ministerial approvals, the taxpayer is not informed of the extra funding costs of that debt relative to borrowing more cheaply via the New Zealand Debt Management Office."

Housing New Zealand's chief executive Andrew McKenzie said: "Private debt market financing is driving better disciplines around our business. We welcome private debt market scrutiny of our business to add to that of Treasury and Ministers."

– Tim McCready



MOOD OF THE BOARDROOM

Backing for a Wellbeing Budget

Liam Dann

One of this Government's more radical plans – to overhaul the way it reports the annual Budget – appears to have the backing of a large proportion of business leaders.

Finance Minister Grant Robertson is working with Treasury on publishing a "Wellbeing Budget" in 2019.

That broadly means a shift away from a pure focus on the financial performance to include measurable targets in environmental, cultural and social areas.

It's a shift you might expect would seem a bit soft and fuzzy to hard-nosed business leaders, but in fact 44 per cent of those surveyed for the Mood of the Boardroom say Robertson "is on the right track by prioritising his Budget focus on new living standards measures rather than the more traditional measures like GDP".

About 30 per cent said they were not convinced by the plan and 25 per cent were unsure.

The response suggests the Minister has an opportunity to carry a majority of business leaders with him on this if he can articulate his vision and execute well.

While the production of a Wellbeing Budget is new territory, the work behind it is not new.

Back in 2008 the Buddhist kingdom of Bhutan adopted Gross National Happiness as a core part of its economic policy framework attention – although most of it attracted a lot of media attention at the time, the move was dismissed as a novelty.

But in 2010, as it grappled with post-GFC austerity measures, the UK's



Watch for Liam Dann interviewing Grant Robertson about Mood of the Boardroom on Friday's Economy Hub.

Office of National Statistics introduced a happiness index in an effort to broaden its measurement of national well-being.

New Zealand's Treasury produced a Living Standards Framework in 2011 that adopts a "four capitals" model.

These include natural capital (environmental considerations), human capital (which goes to the skills and knowledge of the population) and social capital (which looks at factors like social cohesion and will likely include cultural well-being). More traditional financial measures (dubbed physical capital) round out the four.

But, like the UK's index, this Framework had been sitting dormant as more of a reference document for ministers.

Now Robertson has explicitly given Treasury the green light to put the Living Standards Framework into

place as the foundation of its research and policy advice.

"We're probably the first country in the world saying all this conceptual stuff is great but let's take it and apply it to policy and decision making," Treasury Secretary Gabriel Makhoul told the *Herald* earlier this year.

Last month the Government introduced amendments to the Public Finance Act that will allow it to set out how its well-being objectives, along with its fiscal objectives, will guide its Budget decisions.

Robertson described that as an important step towards a new style of Budget in 2019.

Of course the trend towards a broader framework for reporting results and measuring success isn't unfamiliar to chief executives, given the widespread adoption of Environmental Social Governance

(ESG) in the past few years.

That has seen a marked shift in the outlook of boards and management teams.

As Air New Zealand chief executive Christopher Luxon (a supporter) notes in his survey response: "The four capitals approach was well landed and established under [David] Cameron in the UK. It's a good move to broaden success definitions."

Other business leaders were also enthusiastic.

"I think this will be one of the most important legacies this Government leaves," said Mai Chen, of Chen Palmer Partners.

Some were supportive but with reservations about execution.

"The approach is fine, the devil will be in the detail," said Dame Alison Paterson.

Craig Stobo, chairman of the Local

Government Funding Agency, said he was supportive of the concept but was "disappointed so far with the public debate on what should be measured, how can progress be measured and whether our central government institutions, agencies and regulatory frameworks are fit for purpose to deliver".

Economist and NZ Initiative chief executive Oliver Hartwich expressed concerns about the risk of the new framework distracting Treasury from its primary job.

"Well-being is not panacea – and it certainly is not a replacement for cost-benefit analyses," he said. "Unless Treasury gets back into the routine of producing cost-benefit assessments across the board, it is pointless burdening it with measuring and managing wellbeing."

Treasury's Makhoul admits it is a big challenge.

"The theory at the moment is that Treasury will, probably at Budget time each year, publish a report that sets out how we're doing on the capitals – what is the state of the capitals, how have they changed – in the same way that every Budget, the Treasury publishes an economic forecast and a fiscal forecast."

He says it will be an ongoing process that is open to revision.

"This will be a process where we will be iterating and learning and improving.

"Economics is about tradeoffs," he says. "Economics is about the fact that there are finite resources to meet unlimited wants and what's the best way of dealing with that problem. What the Treasury is suggesting now is that we can become a bit more sophisticated than in the past at making those tradeoffs."

AIR NEW ZEALAND 

Show them
what's possible
and who knows
where they'll go

wheretnext.nz

A STAR ALLIANCE MEMBER 

MOOD OF THE BOARDROOM

Carbon zero target on the right track

Mood of the Boardroom
Patrick Smellie

Put together the greatest challenge of our age, climate change, and the desire in the business community for certainty, and chances are that desire will only ever be partially and inadequately met.

However, chief executives surveyed for the 2018 Mood of the Boardroom broadly agree the Government is "on the right track" with its target of net zero greenhouse gas emissions by 2050 and are willing to believe getting there will deliver significant new business opportunities.

Straight-out climate change denial wasn't tested this year.

At least some of the 11.5 per cent of business leaders who say New Zealand is on the wrong track to a zero carbon economy are criticising the track, not the goal. And more than half, 55 per cent, nominated "right track".

Add in those who think the Government is moving too slowly, a further 10 per cent, and close to two-thirds of those surveyed are on board with current or accelerated action on climate change.

However, there is caution. Almost a third (30.7 per cent) say the net zero by 2050 target is "too aggressive" and concerns about the way agricultural greenhouse gases are included emerge consistently.

"I think it's on the right track, but we need to be practical also, and give some industries time to adapt," says professional director Cathy Quinn. "Let's not kill good businesses because we have a one-size-fits-all approach."

Some worry about uneven social impacts. Said one agribusiness leader: "It's generally on the right track as a vision but the consequences have not been thought through. There will be accelerated social pain in lower socio-economic groups."

One who sees opportunity is the outgoing chief executive of the Auckland-based Employers and Manufacturers Association, Kim Campbell. "The greening of the economy is the greatest business opportunity of this generation, but more clarity is needed," he said, though he frets about the potential to back the wrong technological choices and says we are "years away" from having a plan for transition to a low carbon economy.

Among the sceptics is Roger Partridge, chairman of the New Zealand Initiative business think-tank, who points to NZIER research commissioned for the Ministry of Business, Innovation and Employment that suggests the economy will miss out on between 10 and 22 per cent GDP growth as it adjusts to climate change between now and 2050.

"We need a conversation about whether the benefits to New Zealanders of proceeding at that pace are justified by the cost."

A bob-each-way sentiment emerges in other comments. Many accept change is coming but fear what it might mean. Rare were quotes like this from one entrepreneur: "We need more and faster."

Some certainty should emerge over the next year over the policy regime for New Zealand's attempt, first, to meet its Paris Accord commitments by 2030 then

shoot for net zero carbon emissions by 2050.

By this time next year:

- A Net Zero Carbon Act should be in law, and with it the establishment of a permanent, independent Climate Commission to advise on and measure policy and progress;

- The Green Investment Fund – a \$100 million seed fund – will be up and running. Its launch is just a matter of weeks away now;

- The latest review of the Emissions Trading Scheme (ETS) will have been completed and the current \$25 per tonne price cap on New

Do you expect new industries to be created from this fundamental switch?

68.4%
Yes
11.5%
No
20.1%
Unsure

Zealand Units will almost certainly have been raised or removed altogether, along with decisions on auctioning NZUs;

- Rules on international carbon markets and the treatment of forestry for carbon capture should be locked down following the annual global climate change summit, in Poland, in December.

Also far clearer will be whether and how the Government's "billion trees" programme can be achieved in

the next decade. There's a good chance some of the recommendations from the Productivity Commission's massive report on achieving a low-carbon economy might have been actioned, among them the introduction of so-called "freebates" to push the uptake of electric vehicles while penalising gas-guzzlers, along with a long overdue upgrade to fossil-fuelled vehicle emissions standards.

For heavy transport, bio-fuels may start emerging as an alternative to diesel and there are stirrings of interest in hydrogen as a truck fleet fuel.

Departing KiwiRail chief executive Peter Reidy expects hydrogen-enabled infrastructure to emerge as a new industry in its own right, although one energy industry chief executive is sceptical about new industries fully replacing those displaced by climate change action.

"It will see industries leave New Zealand," he said.

Much will depend on price signals from the carbon market. At \$25 a tonne, there is little spur to action. To achieve net zero emissions by 2050, it will need to be between \$200 and \$250 a tonne, the Productivity Commission estimated.

"Putting a price on carbon means the market will respond," said Thomas Song at Oregon Group, a low-profile Malaysian-owned investor in a range of New Zealand businesses, including forestry group Ernslaw One, its subsidiary Winstone Pulp, and 40.2 per cent of New Zealand King Salmon.

"The emitters will minimise emissions. For example, farmers will plant trees on a slope while farming on flatter country."

Other research suggests the extent of the shift in agricultural practice between now and 2050 is comparable

to the shifts in land use seen since the early 1980s, except this time the Government is attempting a managed transition rather than Rogernomics-style shock treatment.

However, that will require the inclusion of agricultural greenhouse gases in the ETS, which in turn will require decisions on whether and how to include methane – a short-lived GHG that accounts for around 35 per cent of all emissions – in the scheme.

The Parliamentary Commissioner for the Environment and the Productivity Commission both want methane included, but say that it should be treated differently from long-lived GHGs like carbon dioxide and nitrous oxide.

Opinion among business leaders is divided. Some 41.9 per cent of CEOs say all gases should be in the ETS, while 23.4 per cent are opposed and another 34.7 per cent are unsure.

Mercury chief executive Fraser Whineray, a fan of action, also questions Climate Change Minister James Shaw's aspiration for New Zealand to become a net zero emissions food producer.

"Where does this come from? Which global customer is asking for this? It feels like the organic food thing – it got a lot of hype but is very much a niche."

Mark Franklin, CEO of Stevenson Group, says the country needs to do better where it can, but action needs to be credible.

"Climate change is a global issue, not local, and if we can do things more efficiently here, then we should. This Government and many of our largest companies are not engaging properly and basically green-washing."

Business should show leadership

Fran O'Sullivan

"Businesses need to provide leadership – on climate change – so that we set an example for the communities we serve," says Wellington Electricity's Greg Skelton.

Skelton was among the two-thirds of this year's 154 survey respondents who weighed in with comments on an open-ended question: "What is the role of business in a 'just transition' to a low carbon economy?"

Members of the business-led Climate Leaders Coalition, who "take climate change seriously in their businesses", were suitably to the fore.

Businesses should "show leadership by addressing their own emissions and working together in the Climate Leaders Coalition to develop a movement for change," said Spark's Simon Moutter.

"Investing in R&D that creates options for new forms of employment and wealth creation for New Zealanders," responded Z Energy's Mike Bennetts (also Coalition convener).

"Developing employees to better manage the change for themselves and their organisations."

Waste Management's Tom Nickels pointed out that 60 of the largest companies, representing 50 per cent of GDP, have already taken action ahead of Government by making the coalition's Climate Change Commitment to reduce greenhouse gas emissions.



Stop greenwashing. Report accurately, and make good long-term commercial decisions when they come up.

Energy Chief

PR, good intentions, or real action?

As little as 10 years ago, it was commonplace for large corporates looking for brownie points to claim environmental stewardship credentials.

These days, being seen to be green isn't so much a leg-up for a brand as a source of risk if the commitment isn't there.

Take, for example, the 60-strong Climate Leaders Coalition, established earlier this year by a cohort of industry heavyweights led by petrol retailer Z Energy's Mike Bennetts and including Fonterra, Toyota, and Air New Zealand – all major contributors in their own ways to greenhouse gas emissions.

The group's credibility depends on its members both committing to and measuring and reporting on a set of three core commitments, consistent with the 2015 Paris global climate change action agreement.

They must:

- Measure and publicly report their carbon footprint;

The rallying call for business to play a part in the "just transition to a low carbon economy" was made by Prime Minister Jacinda Ardern in May. A dedicated Just Transitions Unit with the Ministry of Business, Innovation and Development has

- Set an emissions reduction target consistent with keeping within a 2 degrees Celsius increase in global temperatures; and
- Work with suppliers to reduce emissions.

They will also be sharing best practice case studies on the Coalition's portal. Bennetts says there's a queue of would-be members, but not all can make the necessary commitments.

"They say 'I really want to join but I haven't set a target yet'. Well, if you haven't set a target that's in line with the Paris Agreement, good for you, but you're not part of the Coalition."

From there, it's up to each company to report in its own way and publish its results to the Coalition website. Since the Coalition has no staff, it's basically up to data nerds to work out who's keeping their word.

As membership grows, it's likely non-members will start being asked why their names aren't there.

For example, the BNZ and Westpac

are members, but not so far ANZ. Electricity companies Meridian and Contact are on the list, but not Genesis or Mercury. Z's main rival, BP, isn't a member.

The Coalition is also about to start urging its members to put their money where their mouths are by backing commercially viable innovations that can help combat climate change.

"The concept is we think the best contribution we can make as companies to the innovative ideas in this space is to be a customer of those ideas," says Bennetts, who expects announcements on a new innovation initiative within a couple of months.

"Often companies have a great idea but they can't get capital because no one is buying their product," he says. "So what we're looking to do is create an environment within which these great ideas, that are already there, can secure capital and a customer commitment."

– Patrick Smellie



Volker Kuntzch



Helen Robinson

"Measure carbon emissions and set and achieve a targeted reduction in emissions," said Port of Tauranga's Mark Cairns.

There were also cautious notes. An Auckland lawyer and professional director said businesses need to take the steps they can to adapt to reduce emissions without being forced to become unviable.

An insurance CEO countered, "think long term and be courageous – it might mean returns to shareholder have to adapt!"

This latter view was reinforced by those advocating a reset of reporting expectations and removing focus on short term profitability reporting.

The investment community had a big role to drive capital towards long term, sustainable investments.

Others called for an informed debate with fact-based insights on the consequences of proposed initiatives, and skills pathway development for those industries that will be impacted, eg oil and gas, through investment in communities to source new industries for job growth.

The "big end of town" are not the only CEOs with views on this issue. "All business must take responsibility for our future world," said Organic Initiative's Helen Robinson. "This includes low or reduced carbon, water quality and quantity usage, and the removal of fossil fuels and toxic chemicals. There should be a 'carrot' not a 'stick' approach by the Government to encourage such behaviour."

been set up to focus on working with partners to develop plans and manage the transition.

Among the 97 respondents to the Herald's question there were warnings that business must be robust and scepticism that some business grand-standing on climate change amounted to greenwashing.

An energy chief, whose company sits outside of the coalition's 70-plus membership, was explicit.

"Stop greenwashing. Report accurately, and make good long-term commercial decisions when they come up."

A company chair echoed busi-

nesses would assist the transition by "addressing the real issues within their area of responsibility and not just greenwashing."

The transition also has to be measurable.

Sanford's Volker Kuntzch identified businesses role was "setting ambitious targets for itself, identifying shortcomings, seeking support and engaging with peers."

Others warned to take it very seriously and do whatever was possible to accurately calculate its own footprint and reduce it as fast as possible and ahead of the Paris requirements.

MOOD OF THE BOARDROOM

The paradox of confidence



Mood of the Boardroom
Thomas Pippos

The saying “bulls make money, bears make money, pigs get slaughtered” is most associated these days with the Mad Maestro of *Mad Money*, Jim Cramer. However, it is actually an old Wall Street saying that counsels against excessive greed, impatience and generally not approaching matters thoughtfully.

The same can be applied to business confidence and the tendency to either lay blame with, or give credit to, any government of the day.

Business confidence is essentially an emotional response to uncertainty. Like the seemingly contradictory responses to some of the tax questions in this year's survey – for example, 58 per cent of respondents support the R&D tax credit regime, but less than half, 43 per cent, don't plan to make use of it and 51 per cent don't believe the regime will change behaviour in their organisations – confidence is often paradoxical in nature. And, though not irrelevant, the role of government in business confidence can easily be overstated.

In the present case, business confidence will be a function of any number of matters, some of which are totally divorced from the current Government. Clear examples from this year's survey include global geopolitical issues, including trade where China and the US take centre stage.

Others include technology related concerns such as cyber security and the worry of increased breaches and attacks. Also related are high asset values, impacted in no small way by generationally low interest rates following the GFC and the decisions of central bankers to stimulate economies. Sovereign debt (and in places household debt) is also high following the Global Financial Crisis (GFC). And of course, we have seen unprecedented levels of political change globally, largely driven by voter dissatisfaction when leaders are not able to bring out their “magic wand” and fix all manner of issues overnight.

Our local confidence lens is also



The Mad Maestro of Mad Money, Jim Cramer.

no doubt impacted by the uncertainty of how the new Coalition Government will react when presented with various fact patterns. Adding to this uncertainty are the anticipated outputs from the various working groups commissioned by the new Government on fair pay, the future of work and tax. The latter released their interim report a fortnight ago.

In terms of the Tax Working Group's (TWG) interim report, unlikely to help confidence is the fact that 71 per cent of survey respondents want a phased reduction of the headline corporate tax rate, while the interim report has recommended not to drop the rate from the current 28 per cent.

The amalgam of this context, tied into the saying “swings and roundabouts” or the phrase “business cycles”, suggests the “smart money” believes the future necessitates a higher degree of caution and thoughtfulness to commercial and other risks. To avoid being viewed as a “pig”, in that Wall Street quote.

Business confidence is therefore a function of all of this context. A context considerably wider, with re-

spect, to what the Government can fully influence, albeit that the senior echelons of the Government have sought to project themselves as prudent stewards.

What's also often lost sight of is that the role of government, while important, overstates their influence in setting the regulatory environment or central economic settings. In many respects they are the “backstop” as the vast majority of policy settings are determined and finessed by officials outside the Government of the day, and who survive changes in governments. This is particularly the case now given how vast and specialised policy has become; with officials generally driving the agenda.

A case in point is the recently released *TWG Interim Report*. While nothing is necessarily wrong with the report, it is underwhelming in

terms of positive recommendations for change. At one level this is unsurprising, as it's the third such working group since the turn of the century canvassing broadly similar issues. Issues that don't get easier over time from a policy perspective.

In fact, given the makeup of the current Coalition Government, it's arguable that change, from a political perspective, will be even more difficult. And, at least for now, the *TWG Interim Report* kicks a capital gains tax (CGT) into the long grass and the policy and political suspense around this particular subject continues for another day.

Though not addressed in detail in this year's survey, a CGT has featured in the past. Readers may recall that in 2016, 72 per cent of respondents believed that politicians

had no appetite to engage on a CGT and 49 per cent believed that not introducing one was a lost opportunity in terms of raising revenue and levelling the playing field.

From 2011 to 2017, the broad sentiment had been in favour of a CGT, including that not moving on one was a lost opportunity. This was most pronounced in 2011 when the spread in views was 25 per cent more in favour of a CGT (63 per cent vs 38 per cent).

More recently, until this year, that spread had closed to around 10 per cent with those in favour between 45-50 per cent.

The current sentiment among survey respondents has interestingly changed.

In 2018, the spread between “for” and “against” has crossed and grown, with 51 per cent of survey respondents now against a CGT and only 37 per cent for one; the lowest positive response since 2011.

It's difficult to explain this change, as it could be down to any number of factors. Some could relate to trust and the Government of the day, or simply wanting to be contrary. Or it could be a cyclical response, related to where respondents see current asset values (as already high and unlikely to move much higher). Regardless, neither the *TWG Interim Report*, nor the survey responses, create much momentum for change in this area.

Another tricky position that the Coalition Government will need to navigate that is hardly additive to business confidence.

In many respects, therefore, business confidence is as vague as the tax phrase that looks to define the relevant asset in an R&M context as a “physical thing that satisfies a particular notion”. Initially insightful until the vagaries of what the meaning of “a particular notion” is reflected on.

Business confidence is also suitably vague and unsuited to straightforward cause and effect considerations.

Seeking to lay blame at the current Government's door, or in fact any government's door, is simplistic and generally unwarranted, but nevertheless the topic of the day.

● *Thomas Pippos is the chief executive of Deloitte New Zealand.*



Business confidence is suitably vague and unsuited to straightforward cause and effect considerations.

Muted response to R&D tax incentive

Graham Skellern

Businesses won't be rushing in and claiming the new Research and Development (R&D) tax credit to be introduced in April next year, according to the Mood of the Boardroom survey.

Respondents were asked: “Do you expect your business will make a R&D tax credit claim when the proposed new regime comes into force?”

Just 31 per cent said they would. 43 per cent of them said they wouldn't make a claim and 26 per cent were unsure.

Just over 50 per cent of the respondents said the tax credit would not incentivise their business to direct greater resource than currently into R&D, while 26 per cent indicated they would increase R&D and 23 per cent were unsure.

Those supporting the introduction

of tax credits include Beca's Greg Lowe who believes greater support for R&D will lead to an increase in New Zealand-owned and created intellectual property.

“We develop new technology and service offerings and R&D support will increase this investment.”

But warns Andrew Hamilton of incubator The Icehouse, “beyond the tax credit regime, this will not change the fact that we don't have enough firms who want to do R&D, including our big firms”.

There was a good deal of scepticism about the move with typical comments including, “what past experience shows is that all an R&D incentive will do is encourage businesses to classify BAU as R&D to claim the tax credit”, “seems open to manipulation”, and, “these are gamed under all regimes”.

A banker noted: “Good ideas get funded anyway.”

But entrepreneurially-focused respondents were favourable.

Suse Reynolds of the Angel Investors Association says many of the businesses angel investors support will use the tax incentive if it is “clear, cost effective and easy to claim”.

The Government's R&D tax incentive is designed to help more businesses undertake a greater amount of research and development and is a shift from relying purely on Callaghan Innovation grants.

A minimum \$100,000 spend is required to qualify and the proposed 12.5 per cent tax credit rate places New Zealand mid-pack among OECD countries.

Ministry of Business, Innovation and Employment, Inland Revenue and Callaghan are producing final recommendations for the scheme, and legislation is due to be introduced this month so the R&D tax incentive can be in place by April 1, 2019.

Minister of Research Science and Development Megan Woods says the Government has an ambitious target of lifting New Zealand's lagging economy-wide spend on R&D from 1.3 per cent to 2 per cent of GDP over the next 10 years.

“The R&D tax incentive will be a key lever in reaching this goal. Eligible businesses paying tax will be able to benefit from this policy from day one. “Lifting the amount Kiwi busi-

Preferences for supporting R&D

58%
R&D tax incentive

6%
Existing grants regime

30%
Reducing the corporate tax rate applying to all businesses

nesses are spending on R&D will help diversify our economy by encouraging new industries and businesses to innovate. The R&D tax incentive will be one form of support among many for Kiwi firms to move further up the value chain and deliver higher wages.”

CEOs were asked to state their preference for measures New Zealand should take to encourage greater R&D and innovation. 58 per cent of survey respondents were in favour of the R&D tax incentive, 6 per cent for the existing grants regime, and 30 per cent for reducing the corporate tax rate applying to all businesses.

Michael Snowden of OneNet says R&D should be done because it

improves the firm's profitability and productivity, not to chase an ephemeral tax subsidy. The technical difficulties of obtaining credits from the IRD may make the effort not worthwhile for smaller firms.

“The definition of R&D is loose, and as soon as there is a financial incentive the accounting treatment of normal operating costs may be reclassified as R&D.”

“The grants system is too much of a lottery. A lower tax rate would benefit every business,” he says.

Anna Stove of GlaxoSmithKline says the tax credit will make no difference to her company. In countries like Australia and the UK, pharmaceutical R&D investment is enormous. “Because Pharmac doesn't fund innovative medicines, multinational companies won't do their R&D in New Zealand. There is no return on investment.”

The EMA's Kim Campbell cautions, “we need to be competitive with other jurisdictions, and whatever we do it must cause a major change in behaviour because what is currently in place is not working.”

“The rates proposed at 12.5 per cent are far too low to be competitive with Callaghan grants and the suggested criteria of original science will limit participants among SMEs and using IRD with all that ambiguity together makes for a poor plan,” he says.



R&D should be done to improve the firm's profitability and productivity, not to chase an ephemeral tax subsidy.

Michael Snowden, OneNet

MOOD OF THE BOARDROOM

PM on the global stage

CEOs agree Jacinda Ardern's charisma has won over world leaders, and is a good thing for Brand NZ



Fran O'Sullivan

Jacinda Ardern's charismatic performance on the international stage has won strong endorsement from chief executives.

76 per cent of respondents to the 2018 Mood of the Boardroom survey agreed she portrayed New Zealand appropriately offshore.

"Great for Brand NZ", "Very assured and comfortable", "Extraordinary cut through", "A lot of positive press internationally", and, "Stellar profile, energetic and charismatic" were just some of the positive CEO comments on the world's youngest female prime minister.

Ardern – just back from New York where she made her debut speech to a United Nations' thinly populated General Assembly chamber – walked into a firestorm over a decision to hire a crew from advertising agency Augusto to film her New York trip. But her trip was a mixture of the serious and the sublime.

Her addresses to the Nelson Mandela Peace Summit and another to Bloomberg's Global Business Forum where leaders extolled a roster of multilateral pacts: the Trans-Pacific Partnership (now CPTPP), the Paris Agreement on climate change and the Iran nuclear deal – were well-received. Ardern assured the business summit that countries were moving forward with the CPTPP despite President Donald Trump's decision to withdraw the US from the pact. "It is happening, and it is working," she said.

But there was also scepticism. Some 14 per cent of CEO respondents

felt she set unrealistic expectations while offshore. "She comes across as young and energetic, and it reflects well on the progressive image that NZ wants to project," said a legal boss. "But she also comes across as a weak leader without any real strategy for the country's economic long term development."

From an agritech chief: "Very likeable and looks good compared to many leaders. But what are we comparing against? Trump, Morrison and a whole bunch of crazies."

"Very assured and comfortable," said a lobbying firm boss. "Her weakness is the need to make poor policy calls, such as the oil and gas one, in an attempt to look better overseas."

Since becoming Prime Minister one year ago, Ardern has been to the Vietnam Apec Leaders Summit where she and Trade Minister David Parker were successful in selling a political fix that enabled the Coalition Government to overcome its scruples and sign up to the renamed TPP.

She has crossed swords with former Australian Prime Minister Malcolm Turnbull over Manus Island "refugees"; pressed for a European FTA in meetings with Germany's Angela Merkel and France's Emmanuel Macron in Europe earlier this year; dined at a Chogm reception hosted by the Queen in London and travelled to Nauru to meet Pacific Island leaders at their annual forum.

"She has at least obtained profile – she now has to confirm and build on this," said a banker.

Mainfreight's Don Braid said she has not pushed or worked the trade portfolio well enough.

"Just as John Key was accused of not making the most of political capi-



“

She comes across as young and energetic, and it reflects well on the progressive image NZ wants to project.

Legal Boss

tal, I hope Jacinda is making the most of her international capital through trade deals," echoed an energy chief.

"Some of the engagement with Australia has been a little off-piste, particularly around refugees. In these times, we need all the core friendships we can get internationally."

Others questioned how much of the publicity was related to her baby Neve.

The phenomenon of being a leader – and a new mother – led to an invitation to appear on Stephen Colbert's *The Late Show*.

But though Ardern is not seen as having Key's gravitas or Helen Clark's command of international affairs, she is resting her laurels on being one of a newer generation of leaders like Canada's Justin Trudeau, Spain's Pedro Sanchez and Irish Taoiseach Leo Varadkar.

Clockwise from top: friendly relations with Germany's Angela Merkel; appearing on *The Late Show*; partner Clark Gayford and baby Neve at the Nelson Mandela Peace Summit in New York; at the United Nations; formal for Chogm at Buckingham Palace.

Photos Claire Trevett, AFP, AP, Getty Images



MOOD OF THE BOARDROOM

Beware of the dancing elephants

Fran O'Sullivan

When elephants "dance" it is the grass that suffers. The African proverb means that it is the weak that get hurt in conflicts between the powerful.

The US-China trade war is one such fight that – while New Zealand may be a nimble free-trader – will have an impact on global business.

A suite of issues sparked by Donald Trump's quest to put "America First" and push China back into "its place" is also sapping business confidence here.

"The world rather than the NZ Government should be everyone's concern," says a leading banker.

"The dollar and looming trade wars between the superpowers and political uncertainty in Britain and Australia are all watch points.

"New Zealand is a trading nation and anything that impacts global trade is likely to be adverse for NZ."

Agribusiness exporters are also nervous that it is actions by the United States – which used to take a lead in global trade – that are causing trade dislocation and potentially dampening global economic growth.

It goes further. Says former Reserve Bank Governor Don Brash, "The combination of highly damaging US trade policies, potentially severe problems in

Europe (think Brexit and the Italian political situation), considerable stress in developing economies such as Turkey, Argentina, and South Africa, and high levels of debt (particularly public sector debt) in many countries is a dangerous situation."

In mid-September, Donald Trump, emboldened by America's economic strength and China's economic slowdown, upped the stakes in his trade war with Chinese President Xi Jinping.

Not only were tariffs on US\$200 billion of goods foreshadowed but Trump indicated he was prepared to tax all imports.

New Zealand cannot ignore the United States' brinkmanship – NZ already faces US tariffs on steel and aluminium exports. "While there are positive opportunities for all businesses I am involved in – one

can't help be tempered in looking ahead by external risks as if they eventuate it will have a negative impact on a range of businesses in New Zealand and elsewhere," said a company director.

"There are risks to the economy globally – Brexit, Donald Trump's approach on various issues including protectionism and his trade war with China.

"Locally the ongoing loss of business confidence and concerns about whether we are heading into tougher times does make business more cautious about investment. NZ businesses' response to these influences

is entirely logical and responsible." "Protectionism and the US/China trade war are the most pre-occupying global issues at present – they impact directly on market stability and commodity prices," said the NZ International Business Forum's Stephen Jacobi.

From the global trade frontlines: ● "The USA in particular is a very strange place to be operating at the moment. It feels like we are in the middle of an All Black / South Africa scrum.

"Huge pressure on both sides of the economic equation (growth or decline), hoping there is a clear winner, not a collapse" – tourism boss.

● "With the geopolitical situation being as volatile and unpredictable as it is today, we need to be on top of what opportunities and threats are created from the environment" – shipping boss.

Many report the impact on local businesses will be to force a more conservative approach.

Some are optimistic NZ's continuing economic growth will slowly shift to exports following emerging late cycle constraints in the booming construction sector.

They are pinning their hopes on NZ's pivot to Asian consumers as a bulwark for our export volumes and prices – particularly as Xi continues to advocate against protectionism.

"Given the importance of NZ's exports to our economy, this is something that needs to be watched closely over the next 12-18 months. Shipping lines are still delivering poor financial results and will continue to see major cost increases (particularly post 2020) and these costs will impact NZ exporters and importers," warned a shipping boss.

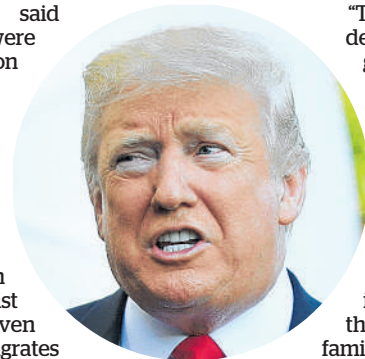
When it comes to the importance of trade, New Zealanders could also be in for a lesson.

"I think New Zealanders will receive a timely reminder about global trade and the importance of exports, rather than single-use plastic bags, when a tariff issue punches us in the face," said an energy boss. "They might even appreciate Fonterra's role in all of this also.

"Most of the New Zealand economy doesn't deal with the tough competitive dynamics of global business, and so it's good for everyone to think a little more than outside their suburb from time to time."



Xi Jinping



Donald Trump

Donald J. Trump @realDonaldTrump

When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

11:50 PM - Mar 2, 2018

♡ 97.4K 💬 50K people are talking about this

Disappointment with the Donald

Chief executive angst and disappointment with the US president features strongly in the 2018 *Herald* survey. 55 per cent of survey respondents felt the president's policies were worse than they had expected; 37 per cent what they expected.

Some 22 per cent of respondents said Trump's policies were now impacting on their businesses.

Many CEOs were not particularly impressed with the tweeting US President: "He's a fool", "He's unhinged", "He's a train wreck", "Again a low bar; A populist narcissistic ego driven bully that denigrates America", were just some of the on-the-nose comments.

"Ungovernable, unpredictable and ego-driven – couldn't be a worse combination," said company director Dame Alison Paterson.

Others saw through the bombast. "Despite the rhetoric, if you look at the pressure applied to Germany with a gas pipeline deal with Russia, Trump actually represented the US well," said Skellerup's David Mair.

Said a company chair: "He has done exactly what he said he would do."

"He's doing much of what he campaigned for," chimed an energy chief.

While the Trump Administration's "sugar boost" tax cuts are fuelling strong US economic growth, there was a perception they are not sustainable and will sooner or later result in grief. "I had very low expectations prior to his inauguration," said ICBC NZ's Don Brash, a former Governor of the Reserve Bank.

"He has turned out to be even worse than expected. Yes, cutting the ridiculously high corporate tax rate and reducing excessive regulation

have both been good moves, but his understanding of international trade (and what trade deficits mean) and the relationship between fiscal and monetary policy is non-existent, and that ignorance is a serious threat to the global economy.

"Thank goodness for the "resistance!"

"The erratic US president is currently the greatest risk to global economic and political stability," said a marketer. "Six months ago we were contemplating nuclear war on the Korean Peninsula. The closer the Mueller investigation gets to the President and his family, the increasingly extreme and dangerous foreign affairs

behaviour can be expected as a distraction for the media from domestic politics."

Impact on NZ business

A number of businesses are benefiting from the Trump policies.

"It is beyond our understanding how the economic improvements have been made," said Mainfreight's Don Braid. "Maybe it's short-term and it's the tax cuts that are helping. But they have and that is benefiting our business with the USA."

Pan Pac Forest Products Doug Ducker said his company exports timber products to the US and indirectly through China. "US domestic expansion has seen increased demand, however the tariff issues have caused Chinese customers/exporters to curtail or relocate their businesses."

Others pointed to market instability resulting in NZ facing greater competition from US products in third markets (NZIBF's Stephen Jacobi); lower taxes on their business in the US – a positive (legal boss) and the effects on bond yields and capital market.

“Protectionism and the US/China trade war are the most pre-occupying global issues at present – they impact directly on market stability and commodity prices.”

Stephen Jacobi, NZIBF

Australia's political instability unhelpful

Deloitte CEO Thomas Pippas says the Australian political situation is not conducive to building sustainable trans-tasman relationships.

"New Zealand can easily be used as a political pawn in a wider game – not to our benefit"

When Scott Morrison became Australia's 30th Prime Minister – that country's fifth prime minister in just five years – survey respondents were only moderately concerned.

A transport firm head suggested "Australia is caught up in its own domestic politics, which is becoming more polarised like the United States."

Morrison had a stint in Wellington in the 90s as the inaugural director of the New Zealand Office of Tourism and Sport.

"He's been involved proactively in promoting New Zealand to the world,"

said Jacinda Ardern then. "I look forward to building a really strong relationship with him."

Ardern sidestepped a question on whether Morrison's election could result in better outcomes for New Zealanders in Australia.

Some chief executives and directors agree that Morrison's experience working here could provide an advantage over the previous leadership.

"Scott Morrison knows New Zealand better than his immediate predecessors, not least because he worked in Wellington for a couple of years.

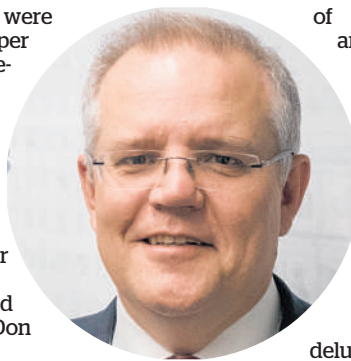
"We should expect an improving trans-tasman relationship with him," says the NZ Initiative's Oliver Hartwich.

"The question is, how long will he stay in his position?"

Most respondents were less optimistic. Just 8 per cent thought the relationship between the two countries would improve, 49 per cent thought it wouldn't, and 43 per cent were uncertain.

"Who would know, what a disaster for Australian politics and reputation," said Mainfreight CEO Don Braid.

A professional services firm chair forecasts that some policies that have caused tension between New Zealand and Australia – including the rejection of the refugee resettlement offer, deportation



Scott Morrison

of New Zealanders, and restrictions on welfare support for Kiwis – were not driven by former Prime Minister Malcolm Turnbull, and if anything, Morrison will take a tougher line.

"New Zealand is deluding itself that because Morrison worked here for a

couple of years he has any willingness to soften the policy stances which are very popular in Australia. After all Abbott's wife was

born in Lower Hutt, and that did not affect his position."

Ardern has often spotlighted NZ's offer to take 150 refugees each year from Australian detention centres – but a banking boss thinks it is time we backed off the issue.

"While it cannot be condoned, Australia's policy has stopped the boats from arriving, and therefore the deaths.

"Australia has the right to confirm who it wants to welcome to its borders."

The boss of an energy firm feels the leadership change could ultimately be detrimental to New Zealand:

"The political volatility could be very damaging for Kiwi's living in Australia. It's anything goes over there right now." – Tim McCready

MOOD OF THE BOARDROOM

What will work in the future?

Andrew Grant

Measured by pace and scale, the current transformation of the workplace is 3,000 times more intense than the original industrial revolution; it's hard to argue that the Future of Work is not the issue New Zealand business currently needs to respond to.

However, there is a Kiwi colloquialism that sums up my concerns about how we will mount our response: "We saw it early, but were a buck short and a day late."

New Zealand politicians and business leaders are engaging on the Future of Work topic far more proactively than other advanced nations.

The Labour Party's 2015 manifesto on the Future of Work was ahead of its time, and I am consistently impressed by how abreast of the issues NZ business, union and civil society leaders are. When it comes to the Future of Work, as a country we have indeed seen it early. However, how do we make sure we follow through?

● First, we must be relentless in capturing the massive productivity improvement potential of the Future of Work. New Zealand's productivity growth in recent years has been woeful, but the good news is the Future of Work offers our best opportunity to restart productivity growth.

In the New Zealand context there are a couple of issues we need to focus on – one, we are a nation of small and medium-sized business. In the past SMEs have been handicapped by big technology-driven productivity improvement opportunities that were only available to the "big



end" of town – ERP IT systems are a case in point. However, the beauty of the Future of Work is that the technologies can be applied at small scale. Cloud-based analytics solutions work as well for a 10-person company as for a 10,000-person company. We will not shift the needle on productivity improvement unless we drive the Future of Work deep into the heartland of Kiwi SMEs.

● Two, the Future of Work will eliminate tasks, not necessarily whole jobs, and recent McKinsey analysis shows that key to capturing the productivity benefit is effectively redeploying the resulting freed-up time. This is most powerfully done with new ways of working. Agile, "no-collar" jobs, internal sharing economy

“

The greatest evil associated with the Future of Work is retraining employees for jobs that don't exist, or for which they have no realistic chance of getting.

models all offer pointers to the future. This is not about "casualisation of the workforce" but how to create a more productive, flexible and engaged workforce, enabled by new tools. There is an emerging class of frustrated CEOs globally who "half-did" the Future of Work; they invested sufficiently to eliminate the tasks but did not push hard enough to build the new working environment to redeploy. They successfully "added cost", but did not reap the productivity benefit. Our propensity to be a "buck short and a day late" could put us squarely in this camp.

Ultimately, the Future of Work will create more new tasks and jobs than it destroys. However, managing the transition will be demanding and as such I see the second opportunity is to build a "reskilling engine" par excellence.

What should this look like in New Zealand? At the bold end of the spectrum we probably need to take 15-20 per cent of what we spend on tertiary education today and re-

deploy it toward high-end vocational training. We should take lessons from the Swiss and start quality vocational education even earlier in life.

In 1999 Onehunga High School (of which I am a proud ex-pupil), pioneered a Business High School and a Construction High School, merging traditional and vocational education with great success. The recently announced rebuild of the school takes this innovation further; students will play a meaningful role in actually delivering the rebuild of the school.

On the job, the concept of micro credentialing and "badging" – where you upskill and retrain your people building step-by-step while still in the role – is starting to take hold in New Zealand. AT&T famously retrained 150,000 analogue engineers into the digital age using this pedagogy. Randall Stephenson, CEO of AT&T, described the move as "changing out the engines on a wide-bodied jet while still in the air". The current imperative is a wider collective commitment from NZ business to back our people to transition in this way.

● Third, to support the above we will need to innovate as a nation by creating a new institution that is fit-

for-purpose in responding to these challenges. We have done this before; in the late 19th century when unemployment first entered the national consciousness, the Minister of Labour, Edward Tregear, put in place the world's first "job centre". He created a national matching system of jobs to people and a "mobility stipend" which paid for folks to move to where the jobs were. It was simple, but highly effective.

We now need a 21st century version of such an institution; what some are calling a "Mobility Centre".

A Mobility Centre would provide three functions: it would collect and curate high quality data as to what jobs will be created and what training leads to real work; it would procure the required training and, radically, it would share risk with the individual.

The greatest evil associated with the Future of Work is retraining employees for jobs that don't exist, or for which they have no realistic chance of getting.

In sharing this risk, employees are asked to trust the data on the probability of getting a job in a certain area and invest in the training required to secure that. In return, they can "claw back" a portion of that investment if it doesn't lead to a job, creating an aligned incentive to get the reskilling right. The Singaporeans, Swedes and Germans are taking steps in this direction. We could once again innovate to deliver a powerful new institution as a world first – but we should hurry; Singapore is moving at pace.

● Andrew Grant leads McKinsey and Company's global public sector practice and is senior partner in the firm's Auckland office.

A LITTLE COUNTRY CAN TAKE BUSINESS INTO SPACE

We believe that the best way for business to thrive and grow is by finding an edge. So we're dedicated to helping you find yours.

ROCKET LAB

Spark^{nz}
LITTLE CAN BE HUGE

MOOD OF THE BOARDROOM

Apocalypse? Not now

Mood of the Boardroom
James Penn

The conventional wisdom among much of the commercial commentariat has become that automation will destroy a great number of the economy's jobs in the coming years.

Yet, 44 per cent of New Zealand CEO respondents to the 2018 Mood of the Boardroom survey say the adoption of technologies such as automation and artificial intelligence will result in no change in their own staffing levels over the coming three years.

A further 15 per cent actually expect an increase in staffing levels within their business. This compares to around one third that expect a decrease in staff numbers, with the remaining 9 per cent unsure.

This rebuke of the Domsday scenarios could be driven by a number of factors.

A number of executives intend to utilise emerging technologies to improve customer experience rather than slash costs.

"We will try and multi-skill our people who may be displaced, to work in teams to develop new ways to work with customers and improve the 'ease of doing business' rather than processing the spreadsheets," says Peter Reidy, CEO of KiwiRail.

A banking chief executive echoes these sentiments: "It will allow staff to focus more on value-added client-based servicing."

"The lift in productivity will lead to increased throughput with the same number of employees," says a tourism CEO.

Other chief executives suggest the focus should be on skill levels as opposed to the number of workers required. "The total number may not change," says an agribusiness executive. "But the skill set and type of employee will change significantly towards more digital and IS capabilities."

"The mix is expected to change and the skill base is expected to improve," says Thomas Pippas, chief executive at Deloitte.

The other reason could be the timeframe: a 2013 Oxford University report found "47 per cent of total US employment is in the high-risk category" when it comes to susceptibility to technological development; but the timeframe was "over the next decade or two", rather than the next three years.

More recent research suggests the future of work is a complex, multi-dimensional story for an economy such as New Zealand's and that adaptation rather than displacement will be the story for many jobs.

An OECD study in March this year found around 14 per cent of jobs in OECD countries are highly automatable (i.e. have a probability of automation of over 70 per cent). And though almost half of jobs are likely to be significantly affected by automation, the degree of risk varies from job to job.

"Thirty two per cent of jobs have a risk of between 50 and 70 per cent pointing to the possibility of significant change in the way these jobs are carried out as a result of automation," wrote the authors, Ljubica Nedelkoska and Glenda Quintini.

"A significant share of tasks, but not all, could be automated, changing the skill requirements for these jobs."

However, the median New Zealand worker is actually the least likely to have their job affected by automation in the OECD, at 39 per cent. This compares with 42 per cent likelihood for the median worker in the UK and 54 per cent in Germany.

One theory as to what drives New Zealand's relative insulation from these forces is that "New Zealand,

Survey respondents don't believe that automation will lead to a 'doomsday' scenario



A visitor looks at a robotic manufacturing arm from Chinese robot maker Han's Robots at the World Robot Conference in Beijing.

Photo / AP

more than other OECD countries, experienced a sharp rise in occupations that specialise in cognitive jobs: professionals since the early 1990s and managerial occupations since 2010."

Nevertheless, the numbers suggest no country can afford to ignore the impacts of emerging technologies, and that education is a key driver of which jobs will be automated.

"Educational attainment shows a very clear pattern in relation to automatability: a higher educational attainment translates into a lower risk of automation," wrote Nedelkoska and Quintini.

This sentiment is shared by New Zealand's business leaders.

"The future of work is as much about diversity of mindsets as it is to do with technology, the market, and social changes," says Reidy.

"Our future way of working will require a diversity of experience, knowledge, perspectives, and solutions. Government will need to support younger people to gain key skills using learning technologies. This will require a change from classroom processes, towards innovative education such as e-learning and skill clusters amongst schools and communities."



Transpower has been working with Massey University for the past five years to create robots that will be based at remote substations.

The numbers suggest no country can afford to ignore the impacts of emerging technologies, and education is a key driver of which jobs will be automated.



Mood of the Boardroom respondents were asked whose re-sponsibility it is to plan for the impact of transformative change driven by technology: government, business, employees themselves, or all three? Perhaps unsurprisingly, an over-whelming majority (90 per cent) argued all three.

"Detailed long-term plans that extend beyond human capital (education) and ensuring policy settings promote growth, are likely to be futile," argues Roger Partridge, chair of the NZ Initiative. "This means the government should focus on (1) ensuring the education system is fit for purpose and (2) markets are able to operate efficiently and flexibly."

The future of work was a major

focus of Finance Minister Grant Robertson in advance of last year's election. Robertson chaired a Labour Party commission on the future of work while in opposition, and proposed a number of initiatives as part of the prescription. These included free tertiary education, piloting a universal basic income in a single town or region, and mandatory training for those who lose a job to help them develop new skills.

Though portions of this agenda are being enacted in policy, businesses are busying themselves with their own initiatives to future-proof their workforces.

Three key themes emerge on this topic: increased training; agile and flexible ways of working; and a focus on wellness, mental health and resilience.

"100 per cent flexible working conditions, devolving more responsibility to individuals," says Sam Stubbs, managing director of Simplicity.

Katie Noble, managing director of Allied Medical, says her company has adopted "lean" operating practices to prepare for a dynamic future.

Simon Moutter highlights Spark's company-wide shift to agile working methodologies, "as the first Telco in the world, and first large company in this part of the world, to adopt Agile at scale, right across the company".

A real estate boss says the company is about to launch a wellness programme, "looking at how our people will need to adapt to change and how they can have a better life."

Others take a more traditional approach, such as David Mair of Skellerup Holdings, who answered, "The same as always, focus on skills improvement. Not sure about

learning about life. We focus on relevant learning to our business goals. It is not our job to do anything else."

Ensuring diversity of the workforce is an imperative for many New Zealand's executives.

One finance sector executive said tracking bias in the workplace (such as in gender, ethnicity, and age) is key to future-proofing their business.

"We have to drive true inclusion to be able to tap into the limited labour supply," said the executive. "An example is employing plus-65s, which we are doing."

Which technologies will emerge fastest?

Executives were also asked to rank a range of emerging technologies in terms of whether they expect to adopt or increase them to remain competitive over the coming three years, on a scale of one (meaning "no plans to adopt") to 10 ("will have bedded this technology in").

Unsurprisingly, cloud computing (averaging around 8.6) and mobile computing (8.2) trump the rest, as technologies many companies have already adopted.

Next are automation (6.9), AI and machine learning (6.1), and remote sensors and the Internet of Things (6).

Blockchain technology has received ample coverage in the media over the past year, but executives are a little more reserved on its application.

Around half of respondents rate it from 1-4 on the scale, indicating limited or no plans for the technology.

Blockchain (4.6) and other technologies, such as 3D printing (3.5) and drones (3.4), receive relatively modest average rankings, but will likely have outsized impacts on particular industries.

"Different technologies and innovations have different degrees of benefit for different businesses," said a respondent from the professional services sector. "Drones have a role in infrastructure and construction but less so in other businesses."

Photo / Supplied

MOOD OF THE BOARDROOM

Pressing all the levers

New Zealand's economy has delivered reasonable economic growth in recent years, but an all-too-familiar caveat to successes has been the country's poor productivity performance, writes **James Penn**

In a September speech, Gabriel Makhoulf, Secretary to the Treasury, said "recent research indicates that if New Zealand's productivity caught up with the better-performing countries in the OECD, our incomes would be 50-60 per cent higher.

"There is no single productivity accelerator that we can just press harder on," said Makhoulf.

"There are many gears, levers, buttons and switches. We need to work on all of them."

In the Mood of the Boardroom survey, New Zealand's top chief executives were asked exactly what gears and levers they were pulling to move towards a high-performance culture that delivers workplace productivity improvements.

For many respondents, the answer was that labour productivity would be maximised in tandem with technological change.

"Continual training in emerging technologies," answered Michael Snowden, CEO of OneNet.

"Promotion and financial rewards for adoption. Experiments in proof-of-concept, followed by trials and full implementation of productivity-enhancing technologies."

And creating a space for this to occur is also key, with OneNet establishing a "virtual lab" for motivated employees to participate in the development of these technologies "without leaving their 'day job'."

"We are implementing a digital transformation that will automate standardised procedures and compliance and require our people to analyse the trends and outputs and advise our clients," outlined Ross Buckley, chairman of KPMG.

"Training and development of our people, along with the use of technology," said a healthcare company leader. "We are already investing in bot development and are looking at AI to enhance clinical delivery. This will be better for our clinicians as well as deliver a better clinical outcome."

Culture of upskilling

The other common thread throughout these responses is continual upskilling.

Company director Alison Paterson said the focus was on "key performance indicators, arming employees with enhanced tools for delivery and continual emphasis on upskilling employees."

An executive said investment in progressive automation of repetitive activity had to be coupled with "ongoing skills development of staff to ensure they maintain relevance to future work needs".

In his September speech, Makhoulf said it was important that New Zealanders had skills that were adaptable and transferable.

"People need to be able to move from industries that may be affected by technology and competition to those that are growing, taking up new opportunities that technology and greater international connectedness actually creates," he said.

"In the Treasury's view, to help achieve this there should be an emphasis on attainment of cognitive and non-cognitive foundational skills and social skills that are transferable and support life-long learning, as well as greater rates of progression to higher



Productivity matters. It is how we grow more prosperous.

Treasury Secretary Gabriel Makhoulf

Photo / Greg Bowker

tertiary qualifications. Indeed a key question is how our education system – and particularly our tertiary system – will help with ongoing learning."

High performance on the farm

If New Zealand is to unlock productivity growth, the country's largest industry, agriculture, will surely play a significant role. Encouragingly, agribusiness respondents were among the most illustrative in their responses to the Mood of the Boardroom on this question.

"We will have fewer, much more highly skilled, much more highly paid workers through using appropriate technology," explained Skellerup Holdings boss David Mair.

Steven Carden said his strategy for fostering productivity growth at Pāmu Farms, formerly known as Landcorp, included "upskilling, investment in data analytics, investment in broadband upgrades, investment in mobile tech, and exploration of robotics."

"Visible low tolerance for poor performance and behaviours as a baseline," said Brendhan Greaney, CEO of Tatua dairy co-operative.

"We are setting clear expectations within the context of our strategic framework that has been very widely communicated through small group interactions."

"We're genuinely listening to our people from leadership forums through to shop floor for connectedness."

"We fundamentally believe that our people want to do a great job and just need good context and clarity of organisation direction and priorities."

"Take great care in employing people who have values aligned with those of the organisation," added Greaney.

Another agribusiness executive said the focus was on simplifying processes and investing in artificial intelligence and automation.

On the agenda for another: "Significant investment in people skills and capability. Significant investment in technology. Move to cloud-based platforms."

Flexibility to drive productivity

Many executives placed emphasis on flexibility and agility in the workplace.

One insurance sector executive said their company was focused on "creating a more agile and flexible work environment, and breaking down and removing the traditional requirements for staff to be office-based."

Anna Stove, General Manager of GlaxoSmithKline, said the pharmaceutical player was "focused on being a modern employer allowing all staff to work flexibly."

The widespread move to flexible workplaces is relatively recent, meaning a link with productivity is difficult to establish. However, a HSBC study found 89 per cent of UK workers believe flexible working hours would motivate them to be more productive at work.

This is reflected in the response of a banking executive, who said, "We've found that, by having a flexible workplace so staff can have a balanced work life, productivity has increased."

A leading entrepreneur said their agenda for a high performance culture included:

- Regular 90-day "sprints" for all business areas
- Agile technology development
- Values-based behaviour
- Empowerment of individual decision making and action
- Focus on adding value to clients, peers and shareholders and self at all times

Simon Moutter, a vocal advocate of Agile ways of working, highlighted this as a key to developing and maintaining a high performance culture at Spark. However, an energy company boss was sceptical about the value of such trends.

"We develop a high-performance culture by not adopting corporate 'flavour of the moment' themes like Agile, but rather looking at what mix of workplace design, technology enablement and cultural/resource planning is required," he explained.

Union concerns

Few impediments were cited on the productivity question, however two respondents highlighted union activity as a barrier to establishing a high-performance environment.

Doug Ducker, managing director of Pan Pac Forest Products, said movement towards a high-performance culture was progressing slowly, "given varying support from individuals and, under this Government, the unions."

Staff involvement in discussion and education is being used to assist."

An executive in the travel and tourism sector said progress was, overall, going well. "However, unions are now split, wanting collaboration with business at the top, while lower levels in the union have been emboldened and returned to old-style 1973 negotiating tactics."

These concerns are perhaps driven by recent employment law changes, including a Bill that plans to end the 90-day trial period for businesses with 20 staff or more, and remove the right of employers to opt out of multi-employer collective agreements.

"Business cannot support this Bill and will be making our position clear as it progresses through Parliament," said BusinessNZ chief executive Kirk Hope in September, citing the legislation's "ability to harm employment relations, jobs and commercial value in New Zealand enterprises".

Keeping up with the OECD

OECD statistics suggest New Zealand's labour productivity was 2.1 per cent lower in 2017 than it was five years prior.

By contrast, the same period has seen a 5.8 per cent increase in productivity in Australia.

That measure, GDP per hour worked, was an estimated US\$37.10 for New Zealand in 2017, more than 20 per cent below the latest available OECD average (2016, US\$47).

If the productivity plateau is not addressed, New Zealand firms may begin feeling the pinch as overseas productivity outperformance threatens the market share of domestic firms.

"We have a relentless need to increase productivity to neuter wage growth and inflation and deal with highly competitive imports," explained a senior figure in the building and construction sector. "This backdrop means achieving these improvements are tracked and a key part of performance measurements in the business."

Ultimately, these gains (or lack thereof) will flow on to living standards too.

"Productivity matters," said Treasury Secretary Makhoulf in the September speech. "It is how we grow more prosperous. It underpins improvements in our living standards. It means we are using our resources more efficiently."

"Improved productivity provides more choice, for citizens, businesses, and government."

What keeps you awake at night?

CEOs were asked to nominate the top three issues causing them concern



Other issues nominated by CEOs include: Delivering a step change in environmental performance; health and safety; rapid growth; becoming resilient; delivering highly complex capital projects; global economy; positioning for key global trends; global competition with deep pockets against small New Zealand businesses; an uncertain employment law landscape makes the prospect of hiring anyone a nightmare; cyber-security risks; within the forestry industry achieving cohesion of approach to health and safety practice across a diverse industry; litigation risk and the combination of digital disruption and cost reduction and having the human capital to execute that very well.

“If the productivity plateau is not addressed, New Zealand firms may begin feeling the pinch as overseas productivity outperformance threatens the market share of domestic firms.”

MOOD OF THE BOARDROOM

The race to be match-ready

Simon Moutter is a man in a hurry. Spark New Zealand's managing director wants to build a next generation mobile network before the world arrives in Auckland for the America's Cup.

Spark has signed as the official telecommunications partner for the Emirates New Zealand team and for the event.

It is an important showcase for the nation and Moutter wants us to put our best foot forward. When it comes to telecommunications that means a 5G mobile network.

Although the races are not due to start until 2020, Moutter faces a daunting timetable. Spark will need to install and test new network equipment and put new systems in place. In some cases, it could mean new mobile towers, or adding sites to existing buildings. But the engineering is not the biggest obstacle. Before any of that can begin, Spark needs to find more wireless spectrum.

Moutter says: "You can't move 5G unless you have the spectrum resources to do it."

"That process is controlled by MBIE (the Ministry of Business, Innovation and Employment). It controls the spectral allocation choices and then, depending on how they choose to do it, runs the spectrum sale or auction process."

"MBIE has always done an excellent job of planning and allocation."

"I don't doubt it will do it again. We just need that moved along swiftly," he says.

The process could be complicated by the potential entry of a fourth bidder alongside Spark, Vodafone and 2degrees. Then there are possible Māori claims.

Simon Moutter's Big Issues

● Top three issues facing the nation

1. Addressing infrastructure deficits.
2. Addressing climate change.
3. Addressing social inequality (both real and perceived).

● Biggest achievement past 12 months

First telco in the world to go all-in with Agile ways of working.

● Biggest regret past 12 months

None!

● Top three business priorities for the next 12 months?

1. Digitisation and automation advancement.
2. New ways of working (Agile).
3. Set up for next wave of mobile technology (5G).

● Single biggest factor that would assist Spark to remain internationally competitive from New Zealand?

Early allocation and auctioning of 5G mobile spectrum by the Government.



Simon Moutter

Photo / Nick Reed

"We understand those and the politics and the thing to get round that, and we need an outcome, we need a decision taken, and it can't be a long way away, because we need that spectrum to get going and we want to be up late 2019, early 2020 because we've got an America's Cup event to run and that should be 5G-enabled," he says.

The Cup is an ideal event to showcase the potential of 5G networks. Moutter says installing a 5G network around Auckland's harbour would be relatively easy and the high-tech boats lend themselves to the project. "They are great examples of how you could use 5G technology to enhance the experience."

"Grant Dalton will be dying to get

5G technology off those boats as a competitive advantage to get ready."

Spark isn't just interested in appealing to the competitors.

Moutter says: "You're going to have tens of thousands of competitors on the headlands and actually out in the water. They're all going to be on their phones wanting to follow the race."

"We obviously pipe up Eden Park for a big test match with extra kit, we've got to do the same for the Cup."

The America's Cup project is part of Spark's strategy of moving away from being a mere telecommunications company towards being a full digital services provider.

Moutter says Spark's connectivity anchors this approach, but it's no longer only about voice, these days

moving data is far more important.

He says digital services are typically delivered by global giants like Netflix.

"They are exemplars in customer experience."

"If you're going to compete, even if it's Lightbox alongside Netflix, our strategy is always 'as well as'. You'll never beat them but to get to be usable you've got to at least approach their standards," he says.

This is why Moutter and Spark have invested so much in the Agile approach to working.

He says most of the big companies he is up against work that way. It means moving faster, improving quality and putting the customer at the centre of everything.

The Huawei relationship

Earlier this year Spark worked with Huawei in Wellington to demonstrate 5G mobile technology. The trial was a success. Last month, across the Tasman, the Australian Government formalised a ban that stops Huawei and other Chinese equipment makers from building that country's 5G network. Is the relationship now at risk?

Moutter says Australia's move makes him nervous.

"Huawei are our best provider of technology. They are the best in this type of technology and they are an excellent provider. They deliver consistently on time and on budget."

"We want them to remain a significant vendor. So we're trying to find the right way forward with our GCSB and making sure Huawei can stay in the mix and in an area where it isn't too sensitive", he says.

Though Huawei is shut out from Australia and the US, Spark's approach is closer to what is happening in the UK. Moutter says though there is no evidence of Huawei having back doors, or spying on traffic anywhere in the world, Spark will take a pragmatic approach. He says the company will use the UK's testing system to verify Huawei products before they are used in the network.

Acting sooner rather than later.

So far, we've lent \$1.7 billion to help grow NZ businesses that are tackling climate change.

Will you join us on the journey?
westpac.co.nz/sustainability



It's time.



MOOD OF THE BOARDROOM

A tool, 'not a talkfest'



Fran O'Sullivan

Air New Zealand's Christopher Luxon promises the Prime Minister's Business Advisory Council will not be a talkfest.

"I don't think CEOs want to give a lot of time on something that's going nowhere – a talkfest – they're not interested in that," says Luxon.

Jacinda Arden announced the Air NZ chief executive's appointment as council chair at a Westpac breakfast on August 28 designed to tackle a deepening loss of business confidence.

The council's role is to build closer relationships between Government and business, provide high-level free and frank advice on key economic issues and to create a vehicle to harness private sector expertise to inform the development of the Government's economic policies.

The forum will also join Government in taking the lead on some important areas of reform.

Said Luxon: "It will bring new ideas to the table on how we can scale up New Zealand businesses and grow our export-led wealth."

He has already presented draft terms of reference to the Prime Minister and a list of 15 people he suggests should be appointed council members. Arden was due to review the submission on her return from New York.

"We've got big day jobs, we care about New Zealand, that's why we want to participate in something like

this," said Luxon. "But we want to get stuff done and we're not here for a talkfest. We're not here for a gabble, we came to sort some things out. And that's what, uniquely, business can do different from government, different from communities.

"Governments are great at setting foundations and frameworks and platforms for people to operate businesses on, but we can move at speed. We're fast, we're pragmatic, we're used to solving problems and realising opportunities in our businesses, so that's what we want to do."

Luxon's 15 nominees are from a range of sectors – big end of town, small end, SMEs, regions, women, Māori – "it's a great bunch of people," he said.

To some extent he is taking his lead from an early 2000s business-led response to the "Winter of Discontent" where some enlightened business leaders subsequently worked with Helen Clark's Government on a range of transformative issues.

"It's the same dynamic essentially," said Luxon. "Different sets of players on the political side and also on the

Business Council Agenda

Potential topics include:

The Future of Work and Automation; Vocational training on the Swiss model; Unlocking cities; Regional New Zealand; SMEs; Investment.

business side. But out of that really came the China FTA, the formation of Fonterra, and, also KiwiSaver in some ways. They were big things that were unlocked and created a lot of value and were the right things to do for the long run, irrespective of the politics."

"I really want to put people to work on the six big topics that are going to matter to the average Kiwi."

Said Luxon: "What would it look like if we could give 10 hours back to every small-to-medium enterprise in a month – because they spend most of their time in traffic?"

"That leads you to all sorts of

“I really want to put people to work on the six big topics that are going to matter to the average Kiwi.

Christopher Luxon, Air New Zealand

Will council build confidence?

Gabrielle Penn

In the Herald's 2018 Mood of the Boardroom survey, 134 CEOs responded to the question: "What should be at the top of the PM's Business Advisory Council's agenda?"

At first blush there is a disconnect between what some respondents believe should be on the council's agenda and Chris Luxon's own focus.

But a good deal of responses included a focus on improving productivity and growth, formulating a long-term strategy for New Zealand and ensuring businesses have access to talent and the skills they need.

Mike Bennetts, CEO of Z Energy, argues that given the Council has been established to address low business confidence, the primary focus should be: "Properly understanding what the drivers of business confidence are so that any responses can

be targeted to closing the right gap."

A legal firm boss felt that if the Council can get its priorities right, there is potential for economy-wide benefit.

"Increasing productivity (and that means working smarter, not harder). With greater productivity will come greater GDP per capita, which will allow us to afford all manner of benefits."

CEOs have urged business leaders who will serve on the council not to neglect SMEs (small-to-medium enterprises) and to use the opportunity to focus on NZ businesses across the spectrum, not just those that have the largest voice.

KPMG chairman Ross Buckley urged the Council and Government to "be relevant to all of NZ business, not just the top end of town – it appears they are ignoring and missing the SME sector".

Port of Tauranga chief executive Mark Cairns feels the Council is an opportunity to provide clarity of policy – a key factor in low business confidence.

He said the focus should be on "reducing policy uncertainty. Businesses won't invest in this environment."

Others, including Spark managing director Simon Moutter, suggest that while the economy should definitely be a focus, this should not be at the cost of New Zealanders and equality. Moutter feels the focus should be "how to maintain economic growth while achieving greater social equity".

The announcement of the Business Advisory Council also sparked some scepticism.

"We don't subscribe to the theory that the marketplace has lost confidence. It seems to be the view of a few only," argued Don Braid, CEO of

Christopher Luxon's Big Issues

● Top Three Business Priorities

1. Operational planning and delivery skills
2. Revenue pricing and action
3. Cost control

● Biggest Achievement past 12 months

Strong commercial and cultural results

● Single biggest factor that would assist AirNZ to remain internationally competitive from NZ

Well trained and skilled talent

Air New Zealand's Christopher Luxon with Jacinda Arden and Grant Robertson at the announcement of the Business Advisory Council.

interesting notions around congestion charging. It leads you to conversations about infrastructure, domestic infrastructure and investment through super funds."

He contends that SMEs are more knocked around than big business by regulation and "the uncertainty that's happening at the moment".

Also top of mind is securing food and water in New Zealand.

"I think you have to have a discussion on genetics. You have to have a discussion on an agritech type fund. You have to think about an Iron Dome in an Israel sense, but for biology. Then just how do you win the war for investment – high quality investment?"

Luxon doesn't want to go too far down the content side of the council's agenda until the 15 people are appointed: "Just giving you a flavour of the 'behind the scenes' thinking."

"That leads you back to what (Spark's) Simon Moutter and I talked about. About a chain of investment because I think this angel investment stuff is a lot of peasant farming, to be honest.

"It's well-intentioned. But actually if you're a young entrepreneur and you end up with a whole bunch of angel investors on your register and you want to go get serious money, and you want \$50 million you've got all this detritus that you've created with people that were there just to get you going. And that's not clean then to go in for funding in the States or anywhere else."

Big issues. Big answers to find.

Mainfreight. "It's difficult to understand what another business forum will achieve."

Echoing Braid's view is Rob Campbell, chairman of SkyCity Entertainment, who is "not sure it is needed," and a private equity boss who said it will be a committee.

"These groups exist already. Talk to them and talk to industry groups to ask specifics."

BusinessNZ chief executive Kirk Hope hoped the council's formation would give security and confidence to NZ companies that the Government was working for, not against, them.

"In order for business to do well, it also has to have confidence in the direction of the country and confidence that it is being listened to.

"The announcement is a positive step in signalling the Government's commitment to do so."

Three views

"We need business confidence to improve, to avoid talking ourselves into a recession. I think the key to this is for business to feel like the Government is listening to it and cares that business in NZ is

successful. So helping Government "hear"

businesses' legitimate concerns will be

important. If the Government

wants to deliver on its

transformational agenda – by working with

business – there will be a greater prospect of this.

Many business people want to see the same thing as the Government

– an inclusive society, a prosperous and productive economy and a

country positively planning and grappling with the issues of our day

– global warming, the impact of the change technology will bring, a

retreat from globalisation by major players around the world, and, addressing inequality in our

society."

Cathy Quinn, Company Director and Partner in MinterEllisonRuddWatts

"Given the members of the Business Advisory Council won't

have the expertise to suggest how to improve the rate of productivity

growth, they could focus on probably the two biggest issues

undermining business confidence:

sudden and capricious announcements (such

as the ban on offshore exploration for oil and

gas), and, the proposed changes to employment law. If the

Council was able to stop a repeat of such capricious announcements (in the case of the exploration ban) and changes in employment law, it would make a useful contribution to business confidence. They are unlikely to achieve either objective, so the council will likely be nothing more than a PR exercise."

Don Brash, Chairman, ICBC (NZ)

"Develop an aligned national and regional growth strategy. Reform of planning laws and local government structures and

funding. Replace RMA with a dedicated environment law and a separate

planning and local government law. Address Auckland's

growth challenge by scale development to the south with an Innovation City. Leverage private capital to enable investment for growth. Enable scale development of housing and transport. Introduce road pricing in Auckland sooner rather than later. Joint business and Government taskforce on poverty reduction."

Stephen Selwood, CEO Infrastructure NZ



MOOD OF THE BOARDROOM

A bipartisan low-carbon energy goal

New Zealand needs to set a bipartisan low-carbon energy target to tackle the long-term environmental challenges, says Mercury chief executive, Fraser Whineray.

This will allow the market to do a lot of the solving as opposed to introducing particular subsidies for technologies that actually may not be relevant, he maintains.

"Let's set a low-carbon energy goal for the country and then everyone can work towards that. That really is a classic example of the right thing for the environment and business can navigate towards that. It reduces the cost of capital actually and so it means that you get better outcomes."

Whineray says those businesses and organisations which are greenwashing (making a company appear more environmentally friendly than it really is) should stop the practice, because that "will actually prevent us from achieving the goals we want."

He reckons greenwashing is almost worse than emissions themselves. "It is simply an allocation of human and financial capital towards activity that won't actually make a difference."

"We must prioritise on all fronts to ensure we're actually doing things that will make the most difference."

There's a very big difference between what people will intuitively think is good for the planet, good for education, or anything, versus what actually will make a difference, and that requires quite sophisticated prioritisation, reckons Whineray.

"The creativity of individuals, organisations, scientists, universities, businesses and governments will help find, with all this rapidly changing technology, what will work and what won't. There will be some



Fraser Whineray at the wheel of Mercury's 1957 Ford Fairlane, Evie, who, despite her looks, is an electric vehicle.

people who get it right and some that don't, but without that creativity in the market we will have a suboptimal outcome," he says.

"We need the creative destruction of the market in a sense to work out what's going to be best for New Zealand – so let the true goal be set then let everyone work towards that."

Whineray says six chief executives from the energy sector spent a full day with the Interim Climate Change Committee which includes three PhDs. "They're so confident in their own ability to rationalise and understand, and they want to be convinced by facts and science."

"They're not ideological, and they're willing to thrash it out with almost 200 years' worth of experience in the room."

"That was amazing consultation – the best consultation I've seen."

Whineray backs the Prime Minister's Business Advisory Council, saying this is a real opportunity for a progressive Labour-led Government to leverage businesses and markets and achieve long-term goals more quickly.

"Whether it's on the environment, education or health, I don't think there is too much disagreement on what things should ideally look like in 20 or 30 years' time for the New Zealand we want to have."

He says the advisory council is an important opportunity. The Government can present clear direction and

work with businesses and organisations, which can change things in 10 minutes.

Businesses can shift financial and human capital faster and over more sustained periods than governments can because of the political cycle, and because new governments inherit a bureaucracy that has a certain direction and can be quite titanic to shift.

NZ Initiative study tour

Whineray is leading The New Zealand Initiative-organised business mission to Denmark next June and he says learnings will feed back to the Prime

Minister's advisory council.

Last year he led the Go Swiss mission, also organised by the NZ Initiative business think tank.

"Last time Switzerland turned into a four letter word with the previous Government. They heard about it from so many of us that it drove them insane, so I think we'll have to think about how we influence and manage this time around."

"We'll absolutely feed back the bits that are relevant and contextual."

Whineray says the Danish tour will be different to Switzerland.

He had already researched their high-value food and prison system, and met with the Danish Ambassador from Australia.

"I always do my best thinking about New Zealand when I'm not there and have something to contrast it with," he says.

Fraser Whineray's big issues

● Top three business priorities next 12 months?

1. Digitisation to drive simultaneous customer experience and productivity
2. Executing our re-positioning for growth on top of yield
3. Human capital competitiveness

● Biggest achievement in the past 12 months

Achieving simultaneous records on customer experience, employee engagement and financial performance

● Biggest regret

None – it was the best year in the company's history. The team performed extremely well!

● Single biggest factor that would assist Mercury to remain internationally competitive from NZ

A long-term bipartisan low-carbon energy policy. This would simultaneously project a positive demand profile and reduce regulatory wobble, and provide a much more globally diverse equity base and increase the attractiveness for us and the sector for quality human capital.




We need the creative destruction of the market to work out what's going to be best for NZ.

Navigating your future

In a complex and changing world we are perfectly positioned to help you find the way forward.

www.simpsongrierson.com

 Simpson Grierson



MOOD OF THE BOARDROOM

Employment laws a backward step

Top CEOs are concerned that the proposed changes will not be productive for business or the economy



Mood of the Boardroom Graham Skellern

Employment law changes proposed by the Coalition Government will deliver increased union activity and disrupt long-term economic growth, say many of the country's chief executives.

The CEOs are at odds with the rationale for the Employment Relations Amendment Bill, which is with the Education and Workforce select committee. Up to 76 per cent of the respondents to the Mood of the Boardroom survey were concerned about provisions in the bill.

A near majority of the respondents (49 per cent) said the Government wasn't handling negotiations and strike action by nurses, teachers and government staffers well. Nearly one-third said the Government was handling the negotiations well, while 19 per cent were unsure.

Said a private equity boss: "Most employers are good and need those people. Legal reform is aimed at the 5 per cent of bad ones. Just increase fines and convictions for them."

Roger Partridge, chair of The New Zealand Initiative, explains higher wages come from higher productivity. "None of these changes are productivity enhancing, and will not help workers."

"Yet, they will add cost to business, making businesses less profitable. In the long run, this will harm both consumers and the economy."

Among other views:

● An international food distributor boss adds "in my experience,

union activity has been focused on increasing membership (revenue) rather than securing employee welfare or rights. These changes increase the scope for disruption in the workplace and will not deliver any improved benefits to our staff."

● Craig Stobo, Chair of the Local Government Funding Agency, says it's difficult to argue rationally what the measures attempt to fix. "Ministerial descriptions point to political expediency which is understandable under the current Government."

In announcing amendments to the Employment Relations Act 2000, Workplace Relations and Safety Minister Iain Lees-Galloway said the Government was taking an important step toward creating a high-performing economy that delivers good jobs, decent work conditions and fair wages. The amending legislation is designed to provide greater protections to workers, especially vulnerable workers, and strengthen the role of collective bargaining in the workplace to ensure fair wages and conditions, and promote productive employment relationships.

"Making life better for working New Zealanders is a fundamental value for the Labour-led Government," Lees-Galloway said. "Too many working New Zealanders are missing out on the benefits of economic growth under the current employment relations system."

"Many of the changes in the bill are focused on lifting wages through collective bargaining. Wages are too low for many families to afford the basics."

"Good employment law strikes a balance between employers and workers. Under the previous Government the balance tipped away from fair working conditions for workers."

Employment law

When asked in the Mood of the Boardroom survey whether they were concerned by any of the proposed changes to employment law, the CEOs responded like this:

72%

were concerned about the requirement for business to take part in collective bargaining and to reach agreement with unions on outcomes.

73%

were concerned that businesses are not allowed to opt out of multi-employer collective bargaining.

76%

were concerned about unions entering the workplace with notification.

70%

were concerned that businesses with more than 20 employees are not allowed 90 day trials.

42%

were concerned that partial pay is not allowed in response to partial strikes.

4%

of the respondents were not concerned by any of these provisions.

We will restore that balance."

The key amendments include: Restoring statutory rest and meal breaks; limiting 90-day trials to employers with fewer than 20 employees; restoring reinstatement as the primary remedy to unfair dismissal; increasing protections for vulnerable workers such as cleaners and caterers when a business is transferred or restructured; and strengthening collective bargaining and union rights in the workplace. Plans to abolish 90-day trials for larger employers were met with strong reaction:

● A Labour-led Government should want businesses to take on more people – but there is risk associated with this. "The 90-day trial



What an ideologically driven mess – 90 day trials work very well and encourage businesses to take a risk with workers.

Paul Glass
Devon Investment Funds

reduces the risk and encourages businesses to give someone a go. Why on earth would you want to eliminate this if you have an objective of job growth?" (rural sector boss)

● The 90-day rule is not abused by the vast majority of businesses. "This change makes no sense and is arbitrary." (contracts consultancy)

● "The 90-day trial has given us the confidence to take on staff when we had some doubts as to whether they had all the necessary attributes. Happily they did, and now are part of the team. Without it, we may have been more risk averse and not hired them." (legal firm boss)

● Devon Investment Funds' Paul Glass: "What an ideologically driven mess – 90 day trials work very well and encourage businesses to take a risk with workers."

On the collective bargaining provision, BusinessNZ chief executive Kirk Hope cites the example of a cafe owner who hires several baristas. The owner's view of how much she can afford to pay the baristas is likely to be different from how the baristas might see it. Will her view be seen as "genuine"? Or will the baristas' view be more "genuine"? The question would have to go to the Employment Relations Authority to be decided.

Hope says "I am sure most small businesses would not want the hassle of having to go to the authority to work out employment agreements. There is a great deal of concern about these new rules that in effect make collective bargaining compulsory for employers. Bullying employers into collectives should play no part in modern workplace rules."

BusinessNZ believes these rules are in breach of international conventions that say collective bargaining should be voluntary, and

has formally asked the Government to drop them from the bill.

Port of Tauranga CEO Mark Cairns says "removing the ability to opt out of multi-employer collective bargaining remains our greatest concern. Ports are essential services for our small island trading nation, a long distance from our export markets."

● "There is a slippery slope once strikes and union action starts – look at Venezuela and other examples of how well this has gone" (lawyer)

● "The Government needs to be careful not to make human labour less attractive than machines or software alternatives." (telco boss)

● "Watch for the dynamic response from businesses. Water will flow around this rock." (energy boss).

Skellerup Holdings CEO David Mair believes the proposed changes are a disaster for larger companies that need to remain focused on customers and competitors.

On pay negotiations, Mair says all thinking New Zealanders would want nurses to be paid more for a difficult job in difficult circumstances. In his view teachers need to move to performance pay.

"This equal outcome approach is why we are drifting down towards the average (which keeps going down)."

Beyond this CEOs are concerned the Government has opened the gate to widespread action and uncontrolled wage increase expectation.

Matthew Cockram of Cooper and Company (NZ) says the Government is having to accommodate the consequences of their own rhetoric and pacts they have made with their union friends.

"The Government is in a no-win situation and the unions are pretty bolshy at the moment" (CEO).

Removing the ability to opt out of multi-employers collective bargaining remains our greatest concern. Ports are essential services for our small-island trading nation, a long distance from our export markets.

Mark Cairns, Port of Tauranga

Less bureaucracy, more flexibility

Gabrielle Penn

"Shocking slow, unresponsive and they can't get it right!" – that's how Mai Chen, managing partner of Chen Palmer Partners summed up the debacle over council administration of resource consents under the Resource Management Act (RMA).

Her stance is to some degree echoed by Mainfreight CEO Don Braid who says the current power that sits with councils to grant consents needs to reform itself. "Councils need to be less bureaucratic and more pragmatic and flexible if they are to succeed".

Speed was a common concern among CEOs, many discussing the high costs associated with the time the process takes, major delays and the uncertainty around the outcome.

Says Stephen Selwood, chief executive of Infrastructure NZ, "The RMA is not delivering for New Zealand."

His view was echoed by an infrastructure specialist who said the problem was the absence of sensible planning legislation – "the RMA is environmental protection legislation, not planning legislation".

Since being passed in 1991, the RMA has been amended almost as many times as the years it has been in existence. But respondents to the Herald's CEOs Survey suggest many more changes are needed before it delivers

Is council admin of the RMA positive for business?

62%

No

7%

Yes

31%

Unsure

for NZ businesses. Changes have been proposed by Government and Opposition, but the parties disagree on the most effective way to improve it.

Peter Thompson, managing director of Barfoot and Thompson, believes changes need to be discussed and enforced with a sense of urgency. "This is the biggest handbrake for all future building."

"One of the biggest costs of any new building project is resource consent costs and the way they are managed by Council needs a total revamp with urgency," says Thompson. "This is one of the biggest reasons for housing unaffordability."

The Minister of Housing and Urban Development, Phil Twyford, appears to be following a similar approach to his



Mai Chen

predecessor, Nick Smith, by criticising Auckland Council and proposing to over-ride the Auckland Unitary Plan, which took years and multi-millions of dollars to create.

He argues that a lack of available housing in Auckland is largely due to ineffective land use planning, which is the council's responsibility.

Instead, Twyford has committed to introducing a single Urban Development Authority (UDA) in Auckland which could be established by late 2019. The UDA would be empowered to control the redevelopment of neighbourhoods in existing urban areas. Approximately 15 areas have been proposed in Auckland, with Mount Roskill and Northcote featuring highly.

Whether Twyford's proposal will

alter the consent process to the extent of pleasing businesses is a point of contention. But only 7 per cent of survey respondents agreed the council administration of the RMA was currently working for business. Some 62 per cent thought it wasn't; 31 per cent were unsure.

Businesses hope Twyford's changes will alleviate some of the costs now incurred during the consenting process, and that the UDA reform will bring change that benefits small and large businesses alike.

Business rate

Another point of contention with councils has been whether businesses should be required to pay higher rates than residential ratepayers.

Opinions were split: 34 per cent of respondents to the Herald's CEO survey felt businesses should pay higher taxes, 46 per cent were opposed, and 20 per cent were unsure.

After the 2010 amalgamation of

local councils to form Auckland Council it was found businesses were paying 34 per cent of total rates, or 2.63 times more on average than residential ratepayers. Under the Council's long-term differential strategy (LTDS), this was to slowly reduce to 25.8 per cent by 2036/37, or a 1.63 times premium, "approximately at a level that reflects the tax and GST advantages businesses have over residential ratepayers".

However, in the 2017/18 budget, the Council voted to raise business and residential rates equally, pausing the differential reduction. Some 66 per cent of public submissions were in favour of this process which would, according to Heart of the City, keep businesses paying an average of 2.73 times more than other ratepayers.

Among those against maintaining the rates differential is the EMA's Kim Campbell who argues business already carries a disproportionate share of the burden.



This is the biggest handbrake for all future building and one of the biggest reasons of housing unaffordability.

Peter Thompson, Thompson & Barfoot

MOOD OF THE BOARDROOM

Campbell retains sunny outlook

Chief executive Kim Campbell signs off from the EMA saying the organisation and the country's economy is in good heart but regulatory change needs to speed up, writes Graham Skellern.

Kim Campbell leaves the Employers and Manufacturers Association (EMA) after seven years believing the country is in a strong economic position but he is looking forward to seeing some clear-cut and prudent public policy from the Government.

He says there's "a bit of disconnect" between government policy and the economy.

"The underlying (economic) fundamentals are strong. We have the best terms of trade for a generation.

"We are getting more for the stuff we are selling and the prices for our imports haven't risen too much. The only way it can be screwed up is bad public policy.

"We are in a world with rapid change and we need our institutions to change accordingly," Campbell says.

"We need to increase the pace of regulatory reform so our institutions are in step with changes in technology and our trading partners.

"There are 150-odd reviews and nobody knows where they will land. Then, there will be lots of argument about priority and spending.

"People see ambiguity and that doesn't help business confidence."

Campbell, who has led manufacturing and exporting businesses in New Zealand, Australia and Philippines, is stepping down from the EMA at its annual meeting on November 22.

He joined the EMA when New Zealand was coming to grips with a new economic future following the



global financial crisis – the worst recession since the Great Depression of the 1930s.

"The country was in deep melancholy, John Key was finding his feet and kids were leaving New Zealand. It was a gloomy outlook and I wanted to be part of raising the mood – such as investing in infrastructure, building a technology base and getting entrepreneurs inspired."

Campbell says New Zealand came out of the recession quicker than most. "John Key and his team, especially Bill English, were fiscally prudent and made us match-fit.

"We had a high dollar and strong exports and that was a real achievement."

He says New Zealand has a phenomenal future: "We have a wonderful combination of a well-educated, smart population and a great place to live and work. And we

have a lot of friends (internationally).

"We have public servants and politicians who have New Zealand's interest at heart, and we have got a lot of core values right. It's only at the margins where we argue. It's a good spirited place and we can have a good healthy debate over it."

Campbell says one worry is that disposable wages are not high enough. The answer is not increasing the headline rate but rather making it more affordable to live.

"The percentage of earnings going

into accommodation costs is too high."

He says the proposed employment law changes have created uncertainty. "If they are enshrined in law, we will return to the stagflation and industrial unrest of the 1980s.

"An uncertain employment law landscape also makes the prospect of hiring anyone a nightmare."

Campbell says the Government needs to carefully and prudently develop important public policy changes such as wage setting mech-

anisms and industrial relations framework – "or else we may become uncompetitive."

He says the country needs a regime of regulatory reform that deals with new technology – "we need to cope with developments like artificial intelligence and deal with climate change so we don't have a bunch of stranded assets.

"We need to see a road map and we are not quite there yet."

Post-EMA, Campbell is planning to do a bit more fishing but he will also focus on increasing his directorships and helping businesses. "I can't do more of that when I'm still here (at EMA)."

He is happy that he will be leaving EMA in good heart.

"We are respected as an organisation that provides good services to its members – a responsible, moderate but progressive voice for business."

Kim Campbell's big issues

- **Top three issues facing the nation**
 1. Uncertain policy future
 2. Infrastructure needed everywhere but no appetite to fix the systems (such as RMA, Land Transport and Local Government Acts) which hold things up
 3. Poor capital allocation leading to poor productivity growth
- **Biggest achievement past 12 months**
Making meaningful progress on bipartisan support for planning systems reform
- **Biggest regret past 12 months**
Failed to make much headway in profit growth
- **Top three business priorities next 12 months**
 1. Reduce debt in anticipation of a government meltdown
 2. Figure out what government policy change is most likely to come first
 3. Find new opportunities for investment outside New Zealand



It was a gloomy outlook (following the GFC) and I wanted to be part of raising the mood.

Kim Campbell, EMA



Large Agency of the Year award.

We're proud to bring it home.




For the seventh year in a row, Barfoot & Thompson has been named the Large Real Estate Agency of the Year at the 2018 REINZ Awards for Excellence in Real Estate. It's a reflection of our ongoing commitment to exceptional service for our customers, and the outstanding results we achieve for them.

If you'd like to talk real estate with the best, give us a call today.



barfoot.co.nz

MOOD OF THE BOARDROOM



Anne Callinan's Top Three Issues

- Funding infrastructure
- The gap between rich and poor leading to instability
- Trade terms internationally

New Zealand is currently experiencing a disconnect between economic performance and people's confidence – a dynamic that hasn't been played out before, says Anne Callinan, chair of law firm Simpson Grierson.

The underlying economy is strong, shown by the increase in GDP to 1 per cent for the second quarter, yet business and consumer confidence has gone down, says Callinan.

"I guess it's partly to do with a new Government and leading a true Coalition for the first time. Our clients are still doing what they planned but the uncertainty in the broader economy is making them think twice.

Any new government will always create a degree of uncertainty with business as they develop and implement new policies. Good communication is key, and I'm more optimistic than pessimistic," she says.

"The abrupt manner in which new offshore oil and gas exploration was ended is a good example of the new Government creating uncertainty for an industry sector. And the proposed employment law changes have certainly affected overall business confidence, especially amongst our country's large pool of SMEs."

Callinan says Government ministers have met Simpson Grierson staff and key clients and "they are good communicators. We

had good discussions and they have been well-received."

She says employers are rightly concerned about implications of several of the proposed changes in employment law but this debate needs balance – the proposed changes aren't all bad for business.

Her firm's survey showed New Zealand employers are generally supportive of increased employee protection – they'd simply like to see a commonsense approach to several of the proposed changes, such as unions accessing workplaces without employer consent, their ability to offer an Individual Employment Agreement alongside a Collective Agreement, and a discontinuation of a 90-day trial for all employers. "We don't see the 90-day trial period being used very often, and I don't think there's a problem. We are happy that the Holidays Act will be reviewed – it's an anachronistic, overly complex, extremely difficult piece of legislation to apply."

In her business, Callinan says "we are seeing strong demand this year across most parts of the firm. There is strong commercial activity and strong (commercial and regulatory) litigation."

One of the main constraints is finding and retaining key talent. "We are busier than we have been, and lawyers have more choices about where to work.

In the past 12 months:



Biggest Achievement
Getting CPTPP across the line
Biggest Regret US leaving TPP

Stephen Jacobi, NZIBF



Biggest Achievement
Record results
Biggest Regret
Why have regrets? A wasted emotion

Don Braid, Mainfreight



Biggest Achievement
A voice from business to the new Government
Biggest Regret
That the voice wasn't loud enough

Michael Barnett, Auckland Chamber



David McLean's Top Three Issues

- Trade wars
- Environment
- Productivity

There are bigger talent pools outside Auckland that businesses aren't really tapping into, says Westpac chief executive David McLean.

The bank would certainly be willing to spread outside Auckland.

"The enabler really is infrastructure. It has often been the roadblock," says McLean.

"The best thing the Government can do is invest in infrastructure in places that need it."

He says take broadband as an example, where the roll-out in New Zealand has actually been a very successful roll-out.

"You only have to go to Australia and ask them about their NBN and you realise that we're in a much better position.

"We've got a Taihape branch, for example, taking overflow calls from the call centre because they wanted to trial that.

"That just wouldn't have been feasible in the past.

"So it's a case where, when the infrastructure exists, we can make different decisions."

McLean's stance is in line with the 87 per cent of survey respondents who agreed there was a role for larger businesses to work with Government to help sustain the economy of provincial New Zealand.

McLean said Westpac would "certainly be willing" to take part in a discussion with Regional Economic

Development Minister Shane Jones, the Prime Minister and others.

"It is a three-way thing. It's Government, business and, in particular, it's the regional communities.

"An important thing that we can all help push the regions to do, is to agree what their own priorities are. I don't know them all, but some of them have really good local organisations that are doing that.

"In the Manawatu, Malcolm Bailey, who's on our board, chairs one. There's one in the West Coast of the South Island which is pretty impressive.

"But I'm not sure that's consistent around the country."

McLean favours building deeper capability within a region – because "they know best what's needed, but then business and government coming together I think would be good."

He says it is a deeper issue than just airline flights or branch closures where Air New Zealand and the banks have come under fire from Jones.

"It's about how we grow these regions and make them viable for the future, not for some past model."

Other issues concerning McLean are the Future of Work, where the banking industry itself is preparing to automate a lot of manual clerical-type work in operations areas in a relatively short period.

WE HAVE YOU COVERED

Whether you need quick advice right now, someone to come in and visit you or an expert employment lawyer to represent you; at the EMA we have your employment relations covered.



ADVICELINE

As an EMA member if you need **free prompt advice** from an employment relations specialist you can call or email the Adviceline service, operating **Monday to Friday from 8am to 8pm**.



LEGAL

Should you need legal advice and/or legal representation EMA Legal is your first port of call. EMA Legal is a team of **highly experienced employment lawyers** who solely act for employers at **exclusive EMA member rates**.



CONSULTANTS

If you want someone to come in and **work alongside you** in your organisation to handle difficult employment relations issues, then an **EMA consultant is there to help you**.

Call us today and let us help you, **0800 300 362**.



MOOD OF THE BOARDROOM

We simply need more homes

Many CEOs are not impressed by the foreign buyers ban and they say it's time to sort out regulatory issues, reports

Graham Skellern

Putting constraints on the housing market will help dampen price rises in the short term but do little to improve the supply of homes, the chief executives said in the Mood of the Boardroom survey.

The Government has banned foreign buyers from purchasing existing homes in New Zealand and has extended the bright-line test from two to five years.

The ban was imposed to stop wealthier overseas buyers out-bidding New Zealanders for the home of their dreams, while houses are now taxed on the capital gain if they are sold within five years from settlement (starting from October 1, 2015).

KiwiBuild is under way with the Government committing \$2 billion to deliver 100,000 affordable homes for first-time buyers over the next decade. Half of those will be in Auckland and involve greenfield and urban development regeneration projects.

The moves will help curtail house price inflation but, except for KiwiBuild, won't add to the amount of housing stock, said David McLean of Westpac Bank.

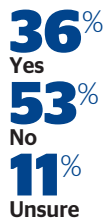
Greg Lowe of Beca said "these have been sensible and practical moves". A tourism boss said the issue was supply of housing. "Fix that and the issue will resolve itself."



Scarcity of skills, lack of affordable build-ready sections, consent delays and construction cost inflation conspire to frustrate government's objectives.



Are you concerned Auckland house prices could follow major Australia cities and experience price drops?



Don Brash of ICBC NZ Bank believed the moves might help at the margin but the real issue was reforming the way local government constrained land supply and delayed the consenting processes – as the Productivity Commission pointed out some years ago. "The Speech from

the Throne contained a pledge to deal with these issues. To date, progress has been slow," he said.

A developer said the moves would not only affect prices but some of them would make positive structural changes to the market.

"I don't think the foreign buyers ban will have a particularly big effect but the extension of the bright-line test will limit purchase for pure capital gain and hopefully encourage those who do invest to buy with a long-term horizon," she said.

"KiwiBuild will encourage the market to provide options in the less unaffordable range. New builds under \$650,000 have gone from being 50 per cent of the market in 2010 to 5 per cent in 2018.

"Anything which encourages a change in this is a positive thing for availability of affordable supply," the developer said.

An ICT boss said though the changes might alter the demand side, it was the difficulty of providing supply that would be the problem. Scarcity of skills, lack of affordable build-ready sections, consent delays and construction cost inflation conspired to frustrate the Government's objectives.

A banking chief agreed, saying lack of supply was the big issue and the Government was doing little to address the regulatory issues driving this. "KiwiBuild was just reshuffling the deck chairs."

An exporter said that to some

degree, it was a shame foreign buyers were not constrained a lot earlier. "If all the properties owned by foreign buyers were in New Zealand resident hands, there would be enough accommodation for those not in houses, the house price bubble wouldn't have been so big and housing would be more affordable."

However, Matthew Cockram of Cooper and Company NZ said the foreign buyer ban was xenophobic nonsense: "little more than window dressing and shameless populism."

A shipping boss said banning foreign buyers would not affect "the right parts of the housing market. New Zealand needed foreign investment in the housing market.

An energy boss liked the bright-line test extension but said the Government still hadn't dealt with net migration as promised at the election, or the costs of housing materials, labour productivity and land.

A company chair said net migration was the biggest driver of housing demand but the dilemma was the need for migrant workers.

Auckland house prices

The chief executives are not convinced Auckland house prices will follow the trend of major Australian cities and experience price drops.

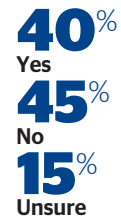
Anne Walsh of Global Everyday Marketing said until the supply of houses exceeded demand, prices would hold at their current level. They would only drop when:

- the number of houses are in excess to needs, and consumers choose not to buy at the higher prices
- there are changes in the tax structure, for example depreciation, and capital gains taxes on residential investors
- the Reserve Bank imposes income versus long level requirements for banks, for example 3.5 times as in Europe

Beca's Lowe weighed in, saying increased supply would cause a plateau in prices "as we have seen in past growth periods".

An ICT boss said if immigration continued at its current lower level and nothing much happened to improve regulatory bottlenecks, the continued high construction cost inflation of 8-10 per cent a year, compounded over time, would raise the cost of newly constructed homes. "This will have the effect of providing

Do you think the Government's moves to constrain house price growth will help the housing crisis?



a floor to any potential price decrease of existing homes," he said.

A legal firm boss said a drop in prices was a necessary correction. "This is the only way housing is likely to become more affordable. The longer we wait the worse the correction will be."

An agribusiness chief said prices were overheated and would fall, causing pain. "It is inevitable as they are far too high."

Roger Partridge of the New Zealand Initiative said the greater evil was pricing New Zealanders out of the housing market, hindering labour mobility and high rents, causing poverty.

Housing workers

Nearly 40 per cent of CEOs agreed pressure was increasing to retain and attract workers in Auckland because of a lack of housing availability at affordable prices. In some cases this was leading to higher wage demands.

An energy boss said this was increasingly becoming an issue for lower-waged employees living in Auckland. Travel times and distances were a related factor.

Another energy chief said "it's a very big issue for us in Auckland to both attract and retain employees. The lifestyle proposition is challenging in Auckland and this is also fuelling wage pressure."

A law firm boss said "we have specific examples of people who declined roles in Auckland because of the housing cost," while an agribusiness chief said the house prices were driving wage growth demands significantly.

Steady as she goes in AK market

Real estate boss Peter Thompson doesn't see house prices falling in the short term

Home owners and buyers will experience little change in the Auckland property market over the next 18 months, with prices holding up, says Barfoot & Thompson managing director, Peter Thompson.

"We still have a shortage of homes, interest rates are low and migration to the city will continue – the factors for wanting to buy property are still there," he says.

Thompson says economists and media view the market over a month rather than taking it out to a 12-month period. Over the past year there has been little movement in prices – up .02 per cent.

"They haven't gone down and over the next 18 months you'll see something similar. Once apartment projects are completed people will have more choice and prices may reduce a little.



Peter Thompson's Top Three Issues

- A global disaster that puts everyone on alert
- Making enough profit after the additional costs being applied to business today
- Leadership

"Interest rates are likely to remain at current levels for the next two years – unless something globally goes wrong. But people see New Zealand as a safe haven and will come here for the living environment," says Thompson.

He accepts there's been a slowdown in the market, but he says extending the bright-line test and introducing loan-to-value restrictions have had little impact. "The big one is the Chinese Government changing policy on how much money residents can take out of the country."

Thompson says KiwiBuild is working in the right direction to make housing more affordable – "that's what we need for our future." His company is marketing the first KiwiBuild development at McLennan Park, Papakura with 12 three-bedroom and six four-bedroom homes selling for \$549,000 and \$615,000 respectively.

"We had 500 people through on the first day," he says. "They could see they are being given the opportunity of getting into a modern, well-built first home. There were people from Palmerston North, Papamoa, Hamilton and North Shore happy to be part of it.

"[House] prices around the country have gone up while Auckland has

been stable for six months. The rest of the country is catching up and it's not quite as enticing moving to the provinces."

Thompson says the costs and time taken to obtain resource consents is the biggest handbrake for all future building. The way consents are managed by council needs total re-vamp with urgency.

"Council needs to create a simpler process. Instead of having to put in five or six applications (after providing further details), why doesn't council tell the builder what information they want and get it done with one application. And the number of inspections can be tightened up to one rather than three."

Thompson says additional bureaucracy costs were eating into company

profits. "First we had the Health and Safety Bill and now we have the Anti-Money Laundering Bill covering more businesses.

"It's going to cost. All three of us – real estate firms, lawyers and banks – will be doing searches and there will be a lot of duplication for one transaction."

Thompson says real estate is a stressful profession – "we do see a lot of personal situations" – and Barfoot & Thompson is planning to introduce a wellness programme with guidance from Sir John Kirwan.

"We do need to look at how our people adapt to change and how they can have a better life. We are a family firm with family values and we are taking these values to another level," he says.

– Graham Skellern



KiwiBuild is working in the right direction to make housing more affordable – that's what we need for our future.

Peter Thompson, Barfoot & Thompson

MOOD OF THE BOARDROOM

It's no longer business

The Coalition's mixed bag of policies has sparked uncertainty for some 400 BusinessNZ members



Mood of the Boardroom
Gabrielle Penn

The Labour-NZ First Coalition Government has introduced many changes affecting the business sector, bringing both uncertainty and excitement, suggests a recent survey conducted by BusinessNZ.

Proposed employment law changes and the general uncertainty regarding the effect of Coalition Government policies are of major concern to many survey respondents who see them as barriers to improving confidence in the business community.

BusinessNZ put 15 questions from the *New Zealand Herald's* Mood of the Boardroom CEOs survey to its broader membership which includes SMEs.

The survey received 407 responses from NZ companies, ranging in size, region, and sector. There were many common themes recognised, but certain industries appear to be impacted in different ways and thus have different perspectives on a range of policies.

Particularly, there are split opinions regarding the most effective policy to increase R&D spending as a proportion of GDP – a number which is widely accepted to be too low at 1.3 per cent – to 2 per cent. While many would welcome an R&D tax incentive, as proposed by the Government from 1 April 2019, others propose a reduction in the corporate tax rate, applicable to all businesses, would encourage greater R&D and innovation.

The survey results show housing remains an issue, with many businesses finding it hard to retain workers due to affordable housing availability.

BusinessNZ chief executive Kirk Hope suggests some of these concerns and the increased negative sentiment may arise from a lack of knowledge combined with a lack of clarity on the part of the Government. "We have had a lot of communication about social policy, but people quite rightly want to understand where economic policy is going," he says.

"The Government has got to clarify the economic component a bit more and the role it plays in the overall policy programme. It's still not clear".

Taxes
57%

Don't support a capital gains tax.

62%

Are concerned New Zealand's headline corporate tax rate is not sufficiently competitive to attract foreign investment.

Capital Gains Tax

The proposed capital gains tax, excluding the family home, has been labelled unfair and ineffective by many survey respondents, with 57 per cent reporting they don't support its introduction. Interestingly, this is a slight fall from 59 per cent in the 2017 election survey, but sentiment effectively remains on par with the measure.

"I don't support it. If it happens it needs to apply to all businesses when sold for a profit, not just housing," says Barfoot and Thompson director Kiri Barfoot.

"It won't stop house prices increasing, it hasn't had that impact overseas." Many respondents took a similar view, noting that Australia, the UK, Canada and the US all have capital

Achievements and regrets

Leaders share their best achievement and biggest regret over the past 12 months

Best Achievement: Opening two new branches across NZ
Biggest Regret: Not spending more time with my family.

Andrew Berry
Superior Personnel

Best Achievement: Increased footprint into China
Biggest Regret: Casual labour rate rises (minimum wage) making hiring additional vineyard staff unaffordable.

Andy Wilkinson
Misha's Vineyard

Best Achievement: Redevelopment of aging infrastructure
Biggest Regret: A change in Government with proposed change in employment law going backwards from the existing laws

Shirley Hiscock
Panmure Orchards.

Best Achievement: To survive a legal battle with a large international company as well as regain customer business that had gone offshore.

Biggest Regret: Not being able to financially reward my staff as much as I feel they deserve to be rewarded. I couldn't cut my salary to do so as that was one of the first things to go!

Jacqui Buckton-Day
Goldfields Print & Packaging Ltd

Best Achievement: Unexpected business growth with much better margins than historic work.
Biggest Regret: That Labour got into government... otherwise nothing in our business.

Brett Wilson
Watchdog Security Group

Best Achievement: We sold a business line
Biggest Regret: Pay equity settlement has had major ripple effects on parity with other staff groups seeking more

Maggie Owens
Bupa New Zealand

gains tax regimes policy and have experienced property price booms regardless.

Others believe a capital gains tax is necessary from an equity perspective. Somerset Marketing's Tony Marks says "the current distortions of returns on capital in the housing market versus other investments need to be addressed".

Cutting the corporate tax rate

Of the 36 OECD member nations, New Zealand currently has the 7th highest headline corporate tax rate, standing at 28 per cent.

An overwhelming majority of respondents, 77 per cent, feel the Government should consider a phased reduction of the headline corporate tax rate to 25 per cent by 2027 matching Australia (which will apply this rate to companies with less than A\$50m revenue), only 10 per cent oppose this idea.

Of concern is a perception that NZ's current 28 per cent headline corporate tax rate is deterring foreign investment by not being sufficiently internationally competitive – 62 per cent of respondents indicated they believed this was the case. Kiwi Bus Builders managing director Richard Drummond believes the benefits of

The big concerns

61%

Employment law changes

48%

Labour shortages

58%

General uncertainty around the impact of current Government policies.

reducing the corporate tax rate would be twofold. "Most companies reinvest the greater portion of their profits, so the benefits would be

R&D

43%

Support an R&D tax credit incentive

34%

Favour a reduction in the corporate tax rate, applicable to all businesses,

13%

Feel the existing grants regime is adequate.

both reinvestment and helping to keep us internationally competitive".

Michel Ladrak, managing director of Transdev, argues that we cannot simply follow Australia without carrying out our own sensitivity analysis. "NZ is so different from Australia considering the size of the market, the availability of resources and the number of projects. Other considerations may be at play."

Current R&D grants regime isn't supported

New Zealand businesses' failure to invest in significant research and development continues to be a talking point for businesses and Government as NZ's business expenditure on R&D remains well below the OECD average of 1.65 per cent of GDP.

Respondents had split opinions regarding the best policy to encourage greater research, development and innovation. Just 43 per cent support an R&D tax credit incentive; 34 per cent favour a reduction in the corporate tax rate, applicable to all businesses, and only 13 per cent feel the existing grants regime is adequate.

Those who oppose the introduction of a tax credit incentive, such as Daniel Reurich from Centurion Computer Technology, are fearful it could be misused: "A tax credit can be easily scammed". Instead, he feels a reduction in the corporate tax rate allows businesses to carry the risks

and rewards, "Many businesses don't need a lot of R&D but would benefit from a lower corporate tax rate, allowing more profit to be re-invested in the business".

For Noel Reid of AMS, businesses need to acknowledge the benefits of the current system that won't accrue to some firms if NZ shifts away from a grants system to R&D tax incentives or a reduction in the corporate tax. "There is a huge cash flow advantage with Callaghan growth grants, compared to the other options. This has not been adequately recognised".

Employment Law

The proposed changes to the Employment Relations Act, currently in front of Parliament, which will impose new requirements on business and change how unions are treated in the workplace, are seen by BusinessNZ's membership as the largest barrier to improving confidence within the gen-

Employment

61%

Say employment law changes are a major barrier to improving confidence for the business community.

48%

Say labour shortages and finding the right staff limits their business confidence.

eral business community and their own businesses.

Two proposed changes which particularly concern survey respondents are the removal of 90-day trials for companies with more than 20 employees, and allowing unions to enter the workplace without notification. Some 70 per cent of respondents identified the removal of 90-day trials as a concern; 68 per cent ticked unions entering the workplace without notification.

Response to strikes

46%

Per cent of respondents feel the Government is not handling negotiations and strike action by nurses, teachers and government staffers well.

15%

Of respondents think the Government's response has been appropriate.

Other proposed changes include a compulsory requirement for businesses to take part in collective bargaining and reach agreement with unions on outcomes (62 per cent). If the business fails to reach an agreement, the courts will be empowered to intervene and impose an agreement.

Some 61 per cent were concerned that businesses would not be allowed to opt out of multi-employment collective bargaining; 35 per cent were opposed to a requirement for employers to pass information about unions to prospective employees; 23 per cent were worried they would not be able to impose partial pay in response to partial strikes.

The survey does show that six per cent had no concerns over the legislation.

For Andy Wilkinson of Misha's Vineyard Wines, there has already been a negative impact. "Casual labour rate rises has made hiring additional vineyard staff unaffordable."

Government's response to strike action

Some 46 per cent of respondents feel the Government is not handling negotiations and strike action by nurses, teachers and government staffers well, with only 15 per cent believing the Government's response has been appropriate.

Malcolm Hendry of Chatsford Management suggests the Government needs to tread cautiously. "By giving in to strike action, this Government is setting up the country to be held to ransom by a range of government-funded sectors."

Others say they understand the Government's predicament recognising higher expectations would always be placed on a Labour Government and that they are now suffering from raising expectations while in Opposition.

Furniture Components NZ managing director Robert Phillips, supports the pay rises which have been awarded by the Government, feeling they are both justified and will benefit the economy at large.

"I think they are all well overdue pay reviews. Once agreed this will return more money for circulation through the market rather than sitting in government coffers, which will help businesses in general".

Housing still an issue

The housing crisis may appear to have been slowed, but the survey results suggest the issue is still impacting on New Zealand businesses negatively, with 23 per cent of respondents reporting difficulties retaining workers due to a lack of affordable housing.

Fulton Hogan is one significant company facing this issue. Mike Brummitt of Community Care Trust says, "we have operations in Central Otago and this is a major issue for us".

Adept founder Murray Fenton is not struggling to retain workers due to unaffordable housing. But he acknowledges that that is "only because we pay well".

Business confidence

When asked what they believe to be the major barriers to improving confidence for both themselves and the

MOOD OF THE BOARDROOM

as usual

general business community, respondents were clear.

The largest three concerns were employment law changes (61 per cent), labour shortages and finding the right staff (48 per cent) and general uncertainty around the impact of Government policies (58 per cent).

Other concerns include the quality of government spending, exchange rates and the level of the NZ dollar, and infrastructure constraints.

RMA needs a review

Business bugbears over the Resource Management Act appear to be an ongoing trend. In 2017, 36 per cent of respondents felt it was "broken", and 58 per cent felt it could work if it was altered.

BusinessNZ's John Carnegie points out that the RMA "has been amended almost as often as the number of years that it has been in existence".

Administration of the Resource Management Act

6%

of respondents feel this is generally positive for business;

66%

Feel it is not.

suggesting that the patchwork approach currently adopted could perhaps be reconsidered and "we could do better by drafting a completely new resource management framework that is fit for purpose."

A particular concern this year was the council administration of resource consents – just 6 per cent of respondents feel this is generally positive for business; 66 per cent feel it is not.

The reasons vary, with many suggesting that there has been an increase in bureaucracy, councils are unwilling to be proactive in resolving issues, and that the process is too slow.

Business v domestic rates

Asked whether businesses should be required to pay higher rates than domestic ratepayers, the majority of respondents

57%

were against the proposition;

27%

were for it;

16%

were unsure.

The result is a severe reduction in New Zealand's competitiveness, with the slow process causing project delays and excessive costs. Dave Fogarty of DTF Holdings argues that the "whole process is a joke", and says he struggles to justify the cost: "charges of \$120 per hour are charged for consents. "We already pay the council staff through our rates". A concern for Somerset Marketing's Tony Marks, is that "council competency varies widely across the country, so it depends where you are".

Business versus domestic rates

When asked whether businesses should be required to pay higher rates than domestic ratepayers, the majority of respondents, 57 per cent, were against this proposition, 27 per cent thought they should, and 16 per cent were unsure.

AMS's Noel Reid says the impact of such a policy should be considered. "A primary role of business should be to create employment for its citizens. There should be no impediments, like higher rates".

Michel Ladrak of Transdev is also concerned about the incentives underpinning the policy, and warns against simply imposing a policy to "create some false sense of equality". Instead, he suggests, we should implement policies based on "what works best for the economy".

Priorities

Brett Wilson

Watchdog Security Group

1. Health and Safety – As a security company, there's been increasing violence towards staff. We need to deal with the health and safety implications of that.

2. Recruitment – Invest time in hiring good staff, and enough of them.

3. Marketing – We're bringing new technical products to the market, and need to spend time marketing those.

Stuart McLaughlan

GS McLaughlan & Co

1. Labour costs – Unrealistic movements in the minimum wage, impacting relativity and pay equity, has meant we must prioritise reducing labour costs where at all possible.

2. Technology – Investing in technology is a high priority.

3. Shifting offshore – We're focusing on moving as much of our back office activities as possible offshore.

Rodney Sharp

Progressive Group

1. Outsourcing to China is a priority as a means of reducing exposure to impending employment relation laws.

2. Reduce capital exposure in New Zealand – Before the New Zealand dollar tanks, we need to reduce capital exposure and reinvest elsewhere.

3. Grow exports – A key business priority for the next 12 months is increasing exports by 100 per cent.

Other business priorities (for the next 12 months) reported by respondents include finding and retaining staff, ensuring their business survives changes brought about by the Coalition Government, and reducing production waste. Many businesses also discussed concerns regarding the "mispricing" of the New Zealand dollar exchange rate and are preparing for possible impacts when the rate adjusts.

Key findings

Business Confidence – The three major barriers to improving confidence are employment law changes, general uncertainty around the impact of current Government policies and labour shortages/finding the right staff. The level and quality of government spending was the next greatest cause of concern.

Employment Law Changes – Of greatest concern to BusinessNZ survey respondents are: Axing 90-days trials for businesses with more than 20 employees (70%), allowing unions to enter the workplace without notification (68%) and businesses not being allowed to opt-out of multi-employer collective bargaining (61%). Of lesser concern are proposals such as partial pay not being allowed in response to partial strikes.

Capital Gains Tax – While 57% do not support a capital gains tax that excludes the family home, currently being considered by the Tax Working Group, 32% are in favour, a shift upwards from 28% in 2017.

Rates – 57% are against requiring businesses to pay higher rates than domestic ratepayers; 27% feel they should, and 16% were unsure.

Research and Development – Opinions are split over the best policy to encourage greater R&D and innovation. 43% feel it should be through an R&D tax incentive, 34% believe it would be through a reduction in the corporate tax rate, applicable to all businesses, and just 13% feel the existing grants regime should be maintained.

Housing – 23% of respondents are finding it hard to retain workers due to housing availability at affordable prices; 68% are not.

Resource Management Act – Only 6% feel the council administration of resource consents under the Resource Management Act is generally positive for business; 66% feel this system isn't working for businesses. The most common reason for this was the lack of efficiency and time the process takes.

Corporate Tax – An overwhelming majority, 77%, were in favour of the government considering reducing the headline corporate tax rate to 25% by 2027, to match Australia. 62% are concerned New Zealand's corporate tax rate is not sufficiently internationally competitive to attract foreign investment.

Strikes – Only 15% feel the Government is handling negotiations and strike action by government staffers well, with 46% saying they are not.

Priorities – A large number of survey respondents listed finding and retaining qualified staff as a priority for the next 12 months. Others noted they'll need to spend time adjusting to the new policies imposed by the Government.

Clear path will help with confidence

Grant Robertson should put more effort into developing a coherent economic strategy, says BusinessNZ's Kirk Hope

The present Labour-led Coalition Government needs to be clearer in communicating its economic policy to give businesses certainty and the confidence to make long-term investments, says Business NZ chief executive Kirk Hope.

"There hasn't been much policy about business – and if there has been, it's not stuff business has seen as positive."

Hope suggests Finance Minister Grant Robertson should put more effort into managing government spending and developing a coherent economic strategy.

He says business confidence is "pretty weak" because of a combination of factors: policy changes, industrial relations situation and the decision to stop offshore oil and gas exploration.

"It was the way the decision was made (without consultation with industry)," he says. "Rather than focusing on stopping the exploration, it was actually the process that made people pause and think whether their business will be impacted by a government decision they haven't seen coming."

Hope is not struck on the prospect of a 2019 Wellbeing Budget being based on a broader set of living



standards rather than traditional economic measures such as GDP.

"We need measures on economic performance that are understood internationally, and our economy can be compared with others."

He is also hoping the Employment Relations Amendment Bill "won't go through unchanged."

The bill, according to Workplace Relations and Safety Minister Iain Lees-Galloway, is designed to provide greater protections to workers, especially vulnerable workers, and strengthen the role of collective bargaining in the workplace to ensure

Kirk Hope's Top Three Issues

- Fixing capacity constraints in infrastructure, population growth
- Policy certainty for investment
- Housing

fair wages and conditions.

Hope points to four areas of the bill that should be removed or amended:

- The requirement for businesses to take part in collective bargaining and to reach agreement with unions on outcomes.

- Businesses are not allowed to opt out of multi-employer collective bargaining.

- Unions may enter the workplace without notification.

- Businesses with more than 20 employees are not allowed 90-day trials.

Hope says strengthening the good faith provisions would remove the duty to conclude bargaining.

Businesses should be given 24 hours' notice before unions enter the workplace.

If medium-sized businesses were involved in multi-employer collective bargaining, then this could be

used as a counter-measure, he says. "Take the example of ports which have multi employers and multi unions – if a union strikes, the port shuts down and that would be catastrophic, even if it is for a short period of time."

Hope says the Government should be investing more money into making assessments and ensuring people are work-ready rather than removing the 90-day trial (for businesses with more than 20 employees).

"There are people amongst the 80,000 not in education, employment or training who won't be work fit. The Government should focus on that."

Hope says the Government must make sure it keeps ahead of the infrastructure curve – such as hous-

ing and transport – as the population grows. "There needs to be a strategy around population growth – where people live and how they connect to where they work."

"We are seeing increasing demand for our goods and services. If we are not able to meet that demand with our domestic population, then the people coming in must have the skills available to fill that demand and supply the goods and services."

"We are aware of how the markets are opening up for us – nine Free Trade Agreements going to 19 with the CPTTP and the prospect of more than doubling that with the European Union agreement."

"There is a great opportunity for New Zealand," Hope says.

– *Graham Skellern*



There are people amongst the 80,000 not in education, employment or training who won't be work-fit.

The Government should focus on that.

Kirk Hope, BusinessNZ

MOOD OF THE BOARDROOM



The 2018 Mood of the Boardroom debate features Grant Robertson and Amy Adams

*All success is a matter of implementation.
All implementation is a matter of politics,*

Tom Peters

Thank you to our sponsors who made it all possible



The Mood of the Boardroom CEOs Survey is presented by **The New Zealand Herald** in association with **Business NZ**

